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ABSTRACT

This collection of papers explains why deep reforms are necessary if today's children are to reach their full potential as productive, independent, and responsible adults. The papers are: (1) "Orphanages as Villages" (Richard B. McKenzie); (2) "Medicating Children" (Linda Gorman); (3) "Government Drug Pushers and the Ritalin Controversy" (Shelley P. Avery); (4) "How Real are Environmental Health Risks to Children?" (Kenneth W. Chilton); (5) "How the Green Curriculum Misleads Children" (Jane S. Shaw); (6) "How Privacy Policies Affect Children" (7) "Why Universal Preschool Will Not Help Children" (Darcy Ann Olsen); (8) "Private Philanthropy and the Education of Low-Income Children" (Thomas C. Dawson); (9) "Helping Children by Reforming America's Family Court Systems" (Doug Bandow); (10) "Adopting Solutions" (Charmaine Crouse Yoest); (11) "What Lawmakers Need to Know about Family Preservation Policies" (Laura Anne Dykes); (12) "Are Home-Visitation Programs Good for Children?" (Stanley Watson); (13) "Taxing Times for American Families" (Lawrence J. McQuillan); and (14) "The Children's Burden: Generational Accounting" (Laurence Kotlikoff). (Contains 16 tables.) (SM)

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A Brighter Future: Solutions to Policy Issues Affecting America's Children

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EXECUTIVE SUMMARY

That our children represent the future is an axiom to which all politicians subscribe. A survey of public policies that affect children, however, shows these policies to be woefully lacking, excessively costly, counterproductive, and even harmful to those they purport to serve. In A Brighter Future: Solutions to Policy Issues Affecting America's Children, edited by Lawrence J. McQuillan, director of PRI's Center for Entrepreneurship, the authors explain why deep reforms are necessary if today's children are to reach their full potential as productive, independent, and responsible adults.

The need for comprehensive reform touches vital policy areas that affect children, directly and indirectly.

ORPHANAGES: Richard McKenzie draws on his experience growing up in an orphanage to outline the benefits of orphanages in modern society. These facilities can serve as an alternative to the foster-care system, which ill-serves children.

MEDICATING CHILDREN: Linda Gorman examines the pretensions of health experts who claim to make better decisions about the welfare of children than their own parents. She shows how mass vaccinations for some ailments are dangerously counterproductive.

RITALIN: As Shelley Avery reveals, massive, government-approved drugging of children has become something of a first resort. She charts the development of perceived ailments that has made the United States the biggest consumer of Ritalin, and she calls for reforms grounded in personal responsibility and consent.

ENVIRONMENTAL RISK: Scare stories fanned by the media have become common but make a poor basis for policy. Kenneth Chilton recommends common-sense environmental policy based on facts, not fear.

ENVIRONMENTAL CURRICULA: As Jane Shaw explains, parents and policymakers alike remain unaware of the extent to which bogus or misleading information about the environment has become part of classroom instruction.

CHILDREN AND PRIVACY: The Internet privacy policies currently being debated would not, as some assume, affect only adults. Declan McCullagh discusses how these policies would impact children and how policymakers should respond.

UNIVERSAL PRESCHOOL: Advocates of this measure, which would be both costly and intrusive, claim it would be good for children, parents, and the country. Darcy Ann Olson provides policymakers with an alternative view.

EDUCATION: The government school monopoly claims to be the best way to educate low-income children. Thomas Dawson shows how the status quo has failed, and he gives examples of how private philanthropy has helped low-income children achieve great success.

FAMILY COURT: Doug Bandow makes the case that current family courts and adoption policies are unwieldy and cause children needless suffering. He outlines ways to streamline the system and privatize services for the benefit of children and taxpayers.

ADOPTION: Charmaine Crouse Yoest reviews the studies showing that unacceptably high numbers of children who enter the foster-care system are never placed in permanent homes. She details the perverse incentives that help keep children trapped in the system, and she provides a guide for reform, with an emphasis on privatization.

FAMILY PRESERVATION: Policies in this area can be positively deadly to children, as Laura Anne Dykes explains. She shows how some states improved the care of children by adopting alternative arrangements.

HOME VISITATION: Stanley Watson demonstrates that politicians' desires to help children do not always accomplish that goal. He examines the claims and tactics of an interventionist establishment, and instead he calls for policies that strengthen families.

CHILDREN AND TAXES: Lawrence J. McQuillan makes the case that confiscatory taxation, under which families must spend more on taxes than essential household goods, is detrimental to families and children. He calls for tax reforms that would empower and strengthen families.

CHILDREN AND DEBT: The debates on children often ignore the reality that because of flawed policies and overspending, children today are born into debt. Laurence Kotlikoff shows the depth of the problem and how the debt burden on children can be relieved.

As these authors show, rhetoric and good intentions do not always produce effective, responsible policies that protect children and help them reach their full potential. This publication provides legislators, policymakers, and parents with policy recommendations that would help children achieve a brighter future.

1

ORPHANAGES AS VILLAGES

By Richard B. McKenzie

U.S. senator and former First Lady Hillary Rodham Clinton argues that it takes a "village"—what she calls a "visible extension" of a family—to raise a child successfully. In the middle of the short-lived orphanage debate of late 1994 initiated by then House Speaker Newt Gingrich, the First Lady also denounced all proposals to bring back orphanages as "unbelievable and absurd."

If Senator Clinton knew as much about orphanages as those who grew up in them, she might recognize that many had all the markings of the "villages" that she admires. Indeed, many were "children's villages" and were remarkably successful. In fact, the first large-scale survey of orphanage alumni stands in sharp contrast to conventional wisdom.

As a group, the orphans have outpaced their counterparts in the general population by wide margins on practically all measures including education, income, and attitude toward life. To fully appreciate why the alumni have done so well and why orphanages should, and will, play a growing role in the care of the country's disadvantaged children, policymakers must understand what life in orphanages a half-century ago was like. It was not like the dreadful way of life portrayed in the movies.

In late 1994, the central issue was whether orphanages should be brought back. That is no longer the issue, because orphanages in a variety of new forms are coming back. Private groups and public agencies across the country have recognized the growing crisis in the foster-care system, which has been, for many communities, the only option.

Those of us who grew up in orphanages realize that they were imperfect and they often lacked some amenities, not the least of which were the daily hugs taken for granted by children who grow up in loving families. Orphanages didn't always have the caring and responsible surrogate parents to play with the children in the evenings or who "dressed up in sheets and told ghost stories," as Senator Clinton recalls so eloquently about the parents in her neighborhood. But many orphanages, such as Barium Springs Home for Children where I grew up, had other important characteristics.

"The Home," which is what we called our orphanage, was in many ways self-contained and apart from the world, on a campus in rural North Carolina. It was five miles from the nearest town, and it could easily be mistaken for a small college. More than 250 boys and girls, ages two to 18, resided there when I entered at the age of 10 in the early 1950s.

We did have several large, turn-of-the-century cottages, each housing 20 to 30 young children, many of whom went to bed on unheated sleeping porches. Unlike the orphanages in the films Annie, Oliver Twist, or Boy's Town, however, we also had cottages for older children that were

boarding-school quality, with two kids to a room and 16 to a cottage, and these cottages had living and television rooms, as well as small apartments for the housemothers. Meals, however, were served in the main dining hall, which was central to village life not only because it sat squarely in the middle of campus, but also because it was the focus of much social life for the children, staff, and visitors, all of whom could find seats at the 40 or more tables. The bell in the dining hall tower set the pace for the day, rousing us from sleep and beckoning us to meals, school, or work.

Many of the Home's 1,500 acres covered a vast track of unspoiled woods where we spent much of our free time exploring, building forts, damming streams, and taming pets. But there were also many acres of pastures for the 60 milking cows that we, the children, milked, and for the 200 head of beef cattle, 100 head of sheep, 100 head of hogs, and 500 laying hens we tended. Along with hired hands, many of whom lived on or around the edges of the campus, the children worked extensively, for as many as 50 unpaid hours a week during the summers and for as many as 20 hours per week during the school year, in the hundreds of acres of corn and alfalfa, table crops, and fruit trees.

We were constantly made aware that work was important not only to put food on the table and to keep the cost of our care in line, but because work was believed, rightfully, to be good for our souls—a theme that Senator Clinton would no doubt support. The work that we have done since our days at the home has, for most of us, seemed easy.

We had our own slaughtering plant, print shop, cannery, carpentry and plumbing shops, and chicken coops. For most of the 1950s, we had our own on-campus elementary and high schools, which were significantly better than the schools in the surrounding county. Our varsity teams played against city schools that were 20 times the size of our own student body, but we won more often than not—with the support of the surrounding community. Moreover, we had our own swimming pool, in addition to the swimming holes hidden in the woods, tennis courts, football field, and horseshoe pits. We even had our own village church and gymnasium, with the latter being used for basketball games, roller skating, and dances.

Our campus was set apart from much of the rest of the world, and on departure some of us had problems adjusting to the "real world," but our difficulties probably were much like those faced by other kids from isolated communities when they moved to larger cities. But orphanage critics have always exaggerated our isolation. Many of us, especially the boys, went to the nearby towns practically every weekend. Children from the surrounding communities went to school, sporting events, and dances with us. We became more integrated when we started going to public schools in the late 1950s. Girls and boys dated their counterparts from nearby towns. They visited us on the campus, and we went to their homes. There was always a flow of people, just as there would be in any village.

A NETWORK OF SUPPORT

Senator Clinton writes warmly about how villages are mutually supporting networks of people. With 12 kids per staffer, the Home could not provide the individualized nurturing that loving families can provide, but neither did it duplicate the deplorable circumstances from which so many of the children had come and to which so many children today are condemned. Children in the Home always got structure and supervision, which many children today lack completely.

Many of the kids found worthy mentors among staff members, most highly religious, who considered their work more a mission than a profession. Few had formal training in childcare. Of course, there were occasional workers at the home who didn't live up to their duties, and one or two were downright mean. In this regard, the Home was a part of the real world, with good and bad elements—but with far more emphasis on the good. Many alumni who grew up in the home before the 1950s remember fondly the care and concern, as well as the discipline, of Mr. J. B. Johnson who, like Father Flanagan in the movie Boy's Town, knew the name of every child and took groups of children for nature walks on Sunday afternoons.

I and many others in my generation found worthy examples in Rev. Albert McClure, who demanded that we heed every commandment but who also insisted that work and education would permit us to rise above our circumstances. And there is not a child who went through the Home from the 1930s until the 1970s who doesn't remember fondly Miss Rebecca Carpenter, the caseworker, who always had a bright smile and a word of encouragement. She never married, but she "mothered" hundreds.

While the housemothers were not always warm and cuddly, neither did they descend to the abusive levels of the boozing Ms. Hannigan in Annie. Nor did the meanest of the mean houseparents match the cruelty of the headmaster in Oliver Twist, who refused pleas for "more gruel." The food in my orphanage was rarely great but well balanced and nutritious—the best that dietitians could do within the allotted budget—and far better than what so many of the children had before their arrival. During World War II, only 1.4 percent of the boys from the Home were turned down for military service while nearly 40 percent of the boys from the general population flunked the physicals for military enlistment or draft. Our "village" gave more than its share during that war.

Critics of orphanages often point to what the children in them did not have, but these now grown-up orphans have a better basis for evaluating their experience. They compare what they had in their "villages" with what they would have had in the dysfunctional families and communities that they left behind. In their efforts to trash institutional care, critics usually ignore the work of some dedicated people who made our welfare their personal and religious missions.

They could not know that my last housemother sent me a birthday card every year after I left until her death in the late 1980s—for nearly 30 years! They couldn't possibly appreciate what it meant to me when, at Christmas two years ago, I received a two-foot by three-foot set of framed

original verses on what it means to be successful, written in needle-point by my seventh-grade teacher. She wanted to remind me, one more time, that "success" ultimately is not defined by money and position but by what affects the heart and soul.

A PRIVATE SOLUTION TO A SOCIAL PROBLEM

I know that my experience was not all that unusual. In late 1994, just after the Republicans won a landslide victory in the mid-term election and their leaders began to hint that they might propose to bring back orphanages as part of their welfare reform package, I wrote a column for the Wall Street Journal making the case that orphanages are a pretty good idea for some (but hardly all) children.[1] My book *The Home* provides more stories of life in an orphanage, hopefully giving the experience a human face.[2]

I have been stunned by the depth of emotion that the column and the book have evoked as judged by the responses, mainly from "successful orphans" who have come out of the woodwork to say, in so many words, "Right on!" They not only confessed to having had a great life as children in orphanages, but an unbelievable number called their home "The Home." These orphans have attested that their successes are due in no small measure to the way that they grew up. Clearly, my description of "home life" is the tale of many.

No doubt, there were some bad orphanages in days gone by. Abuse did occur at many, just as it does in all villages. It is also true, however, that when all homes are considered, no one knows whether the extent of abuse was greater than in the type of villages that Senator Clinton remembers so fondly. Perhaps it was even less, considering the oversight and supervision that occurred in these homes.

Orphanages were imperfect solutions to dire problems, and to understand why orphanages are returning, everyone must realize that today's foster-care system is abusing hordes of children by offering them childhoods devoid of stability and permanence. It does this by routinely shuffling children from one placement to the next. Children in foster care are commonly routed through a dozen or more placements before they "graduate" from the system at age 18, with few life skills. All the while, many foster-care children will not know where their siblings are and will always feel that they are "second fiddle" to the biological children of the foster parents.

A common presumption among orphanage critics is that orphanages stifled the young children in their care in almost all regards, behaviorally, emotionally, and intellectually.[3] But how have the orphanage alumni actually done in life? Surprisingly, that question was left unanswered until I surveyed 1,600 middle-aged and older alumni from nine homes in the South and Midwest several years ago.[4] The surveyed alumni have done well on virtually all counts.

The alumni have a 17-percent higher high school graduation rate than their counterparts in the general population, and they have a 39-percent higher college graduation rate. They also have 20

percent more master's degrees, 250 percent more professional degrees, and 17 percent more doctorates. And while they have a higher divorce rate (44 percent versus 30 percent), they report being far happier with far fewer emotional problems than other Americans. Only a minor fraction of the orphans who reported emotional problems later in life indicated that their problems related to their orphanage experience.

For more than 20 years, the National Opinion Research Center at the University of Chicago has asked people how happy they are. In 1995, only 29 percent of the Americans polled said that they were "very happy." More than twice that percentage of orphanage alumni said that they were "very happy."

In 1995, the median household incomes of the middle-aged and older orphans were 10 to 61 percent higher than the medians for their counterparts in the general population. Moreover, the alumni's rates of unemployment, poverty, incarceration, and dependence on public assistance were minor fractions of the rates for other Americans.

Conventional wisdom has it that the orphans were always pining to be adopted, and that they were hostile to their institutional homes, almost always painted as cold and barren places. But few orphans in my survey report ever wanting to be adopted, and upwards of 90 percent prefer their orphanage care to foster care. This is true even among those who know a great deal about the foster-care system. Close to 90 percent of the orphans assess their homes favorably and only two percent have "unfavorable" or "very unfavorable" assessments.

Why have the orphans done so well? The most obvious answer is the one least likely to be accepted by the critics: these orphanages did not live down to the carefully crafted, negative stereotypes. They were reasonable, cost-effective, private solutions to a social problem. In the early 1950s the average cost of orphanage care with schooling included was less than $5,000 a year—in 1996 dollars! Orphanages were nothing short of "visible extensions" of families. They were, in effect, villages that arose in response to felt community needs. Almost all were a functioning part of larger religious and charitable communities that had a stake in the success of the children.

When asked what they believe to be the advantages of their homes, the orphans point to specific factors either ignored or cited critically by childcare critics: the sense of stability, responsibility, discipline, work ethic, and religious and moral values instilled in them during their stays in those institutions. What seems to be an unexpected but important finding from the survey is the value of permanence: the longer that the orphans stayed in their orphanage, the happier they seem to be now and the more favorably they view their orphanage experiences.

If the nation's current child welfare system were working smoothly with few problems, no one would ever want to reconsider bringing back orphanages or children's homes. The cold fact remains, however, that the country's childcare problems are grave and getting worse. We have a system that is, in many cases, harming children.

Far too many disadvantaged children today have to endure 20, 30, or even 50 different placements before high school. Many foster parents are graciously giving their time and energies to the care of disadvantaged children. But an untold number often treat their foster children as second-class family members and discard the children with the appearance of the slightest behavioral problems, or no problem at all. The children of the Home, on the other hand, knew it would always be there.

Our child-care system is guided by a two-word, mindless ideology: "family preservation." Before taking a child from unfit parents, we wait until the child has been gravely and repeatedly neglected and abused. Then, after a short respite during which we seem to expect magic reforms, we return the child to once again be neglected and abused by their parents and their environment. We need to accept the fact that some families are the problem, and that institutions are not always worse for children than families. We must understand the value of children being catapulted once and for all away from bad family circumstances into totally different, albeit imperfect, environments, such as orphanages.

AN ALTERNATIVE TO FOSTER CARE

A few children's homes remain today. The Milton Hershey School in Pennsylvania, Happy Hill Farm and Academy in Texas, and Connie Maxwell Home in South Carolina (among a number of other private homes) are shining examples of what can still be accomplished for disadvantaged children. Most private homes, however, have closed their doors or have shifted their mission to care only for severely troubled youth, leaving many to languish in the foster-care system. The question of whether or not some modern-day form of private orphanage will return, debated furiously for a short time in late 1994, is no longer relevant. Private homes for children are coming back. Consider the following developments:

- SOS Children's Villages, which has homes in 129 countries, has established "villages" in Florida and Ohio, and it has plans to create two-dozen homes across the country.
- The Hershey School is in the process of expanding from caring for 1,100 children to 1,500 children.
- San Diego County opened in 2001 an "academy" for 250 high school age children who are in the county's foster-care system, who have been through at least seven placements, and who have no hope of being reunited with their families.
- Businessman Donald Whitney, founder of Corporate Sports Unlimited, has purchased more than 900 acres outside of Atlanta on which he plans to develop the World's Children Center, which will care for 500 children who have been orphaned or whose parents' rights have been terminated.

- Mary Jo Copeland, founder of Sharing and Caring Hands in Minneapolis, a homeless shelter, is working with the support of Target Stores to develop an "orphanage" for 200 children who would otherwise spend their childhoods cycling in and out of homeless shelters.
- Father Leo Armbrust, with the support of renowned golfers like Jack Nicklaus and Arnold Palmer, is developing Renaissance Village, which will use a world-class golf club to help privately fund a variety of children's care facilities and educational programs in Southeast Florida.

The expansion of these and other private homes, however, will be slowed by the considerable annual cost of child care—which can exceed by a wide margin the cost of a year at Harvard University—and the professional and policy biases against the reintroduction of institutional care.

To speed up the redeployment of homes, a group of policymakers, jurists, professors, think tank researchers, foundation officers, and heads of homes have drawn up an agenda of needed policy reforms.[5] This agenda, which has been distributed by the Center of the American Experiment in Minneapolis, is based on the proposition that the cost of care must be reduced substantially. This means that policymakers must look on the "childcare industry" in much the same way that they have looked in the past on other major American industries—with an eye toward drastically deregulating it and freeing up the energies of charitable groups.

"Cadillac" care is always preferred, but policymakers need to understand that high standards for care necessarily imply high costs for care—and fewer children who can receive care. Policymakers need to appreciate the tradeoffs that are required in order to provide more children with a brighter future.

The reform agenda also posits that we need to recognize that many children would be better off in permanent institutional care than the only option now available, permanent temporary foster care, which for far too many children is the worst of all possible worlds. We need to ensure that there are fixed and definite time limits on the time allowed for wayward parents to rehabilitate themselves. We need to recognize that while "family reunification" is a worthy goal, there are other goals that are just as worthy, not the least of which is the safety of the children. Beyond that, we need to rethink laws that now prevent homes for children from asking their charges to mow the grass, much less perform more responsible work, and we need to reconsider legal predispositions that discourage substitute caregivers from even hugging the children in their care.

Orphanages have worked reasonably well for many children. Too many disadvantaged children today have to endure substandard treatment, if not outright abuse, in the nation's public child welfare system. Children in foster care will never have the sense of "permanence" that I and many other orphanage alumni had. For many of today's disadvantaged children—the ones who have never known the type of loving and responsible parents that Senator Clinton had—orphanages will be a substantial improvement over the current child-care system.

Richard B. McKenzie is the Walter B. Gerken Professor of Enterprise and Society in the Graduate School of Management at the University of California, Irvine. He is also the author of The Home: A Memoir of Growing Up in an Orphanage *(New York: Basic Books/HarperCollins, 1996), and he is editor of* Rethinking Orphanages for the 21st Century *(New York: Sage Publications, 1998).*

Notes

1 Richard B. McKenzie, "An Orphan on Orphanages," *Wall Street Journal*, November 29, 1994, p. A24.

2 McKenzie, *The Home: A Memoir of Growing Up in an Orphanage*.

3 The literature of orphanage critics is reviewed by John N. McCall, "Research on the Psychological Effects of Orphanage Care: A Critical Review," *Rethinking Orphanages for the 21th Century*, edited by Richard B. McKenzie (Thousand Oaks, Calif.: Sage Publications, 1998), pp. 127–150.

4 Richard B. McKenzie, "Orphanage Alumni: How They Have Done and How They Evaluate Their Experience," (Child and Youth Care Forum, April 1997), pp. 87–111. See also http://www.gsm.uci.edu/~mckenzie/nine.htm. The survey has been duplicated by other researchers with similar results by David T. Besto, *From Mutual Aid to the Welfare State: Fraternal Societies and Social Services, 1890-1967* (Chapel Hill: University of North Carolina Press, 2001) and by Beverly Olson Jacobsen, "Voices from Children's Homes," masters degree thesis (St. Paul, Minnesota: School of Social Work, University of St. Thomas and College of St. Catherine, May 2001).

5 McKenzie, ed., *Rethinking Orphanages for the 21st Century*, chap. 16.

2

MEDICATING CHILDREN

By Linda Gorman, Ph.D.

Children in America are increasingly subject to medication by officials acting on behalf of the state, an alarming and largely unexamined trend. Those advocating that state officials be given the power to medicate children assume that disinterested government "health experts" make better decisions about the welfare of individual children than the children's parents. In fact, the opposite is true. A growing body of evidence suggests that parents protect children from overzealous officials and that weakening parental control will ultimately do more harm than good.

Substantial numbers of people in the professions of education, medicine, psychology, social work, and school counseling believe that their judgment is better than that of a child's parents.[1] But like anyone else, experts fall victim to intellectual fads. In addition, their focus on group health and statistics tends to blind them to the harm that blanket applications of pet policies can impose on individuals. Because they persist in the arrogant and dangerous belief that they can make good decisions about how to treat an individual child even though they might know little or nothing about him or her, parental protection has become more important than ever.

The extensive harm that can be done by professional zealots claiming to act in a child's best interests was amply demonstrated in the infamous child-abuse cases in California, Washington state, Massachusetts, and Florida. Using completely improbable testimony coerced from frightened preschoolers, state mental health, medical, and child welfare "experts" advanced their careers by threatening innocent parents to obtain false testimony and manufacture evidence to fit their preconceived notions. They caused extensive psychological damage to children by ripping them out of loving homes on flimsy pretexts, recklessly ruined reputations, and cravenly imprisoned innocent people.

Even recommendations by science-based medical experts can harm individuals when those experts care more about populations than individuals. In August 1998, the RotaShield vaccine was licensed to protect infants against a virus that infects almost all children by age five. An important contributor to infant mortality in developing countries, the virus usually causes nothing more than mild diarrhea in industrialized ones. In the United States, with roughly 19 million people under age five, it causes 20 to 40 deaths and 55,000 hospitalizations each year.

RotaShield was recommended for all infants in June 1999. On July 15, 1999, the Centers for Disease Control (CDC) advised "suspending" its use because vaccinated infants in post-licensure trials had rates of potentially fatal intestinal blockage that were six times the expected rate. Critics

say that pre-licensure trials, reportedly limited to just 10,000 infants, were so small that the high rates of blockage that were observed were easily explained away as statistical artifacts and that the CDC was aware of alarmingly high intestinal blockage rates months before the vaccine was approved and recommended.[2]

CDC officials debating the vaccine's use clearly had other things on their minds than the safety of individual children. One worried that taking the vaccine off the American market would make it unavailable in India, where infant diarrhea can be deadly. "Western thinking," she opined, "seems to suggest that part of what makes an activity ethical is having the people involved appropriately informed."[3] Western thinking also holds that doctors should first do no harm. Under the circumstances, who should be in charge of deciding whether a particular child needs a risky vaccine? An American parent concerned with the well being of their child, or a federal vaccine expert who characterizes informed consent as just another artifact of "Western thinking?"

HEPATITIS B VACCINATIONS

Similar concerns have been raised with respect to the blanket requirement that infants be vaccinated against hepatitis B. United States residents who avoid promiscuous sex, are not on dialysis, and are not needle-using drug addicts, have about a four-in-100,000 chance of catching hepatitis B, a virus that can cause chronic liver disease. Children under age 14 catch it at the rate of two to six cases per million people—their risk is virtually nonexistent. After trying and failing to vaccinate people in known risk groups, public health officials decided to attack the virus by vaccinating infants and children before they became promiscuous or needle-using drug addicts.[4] Even fragile newborns now receive their first hepatitis B vaccination before leaving the hospital.

Data from the Vaccine Adverse Event Reporting System (VAERS) suggest that there are about four serious reported reactions for every 10,000 hepatitis B vaccinations, including 48 deaths. Passive systems such as VAERS are generally assumed to catch about 1/10 of all adverse events. Congress has heard testimony from people who say that they were pressured not to report bad reactions. Given these statistics, the Association of American Physicians and Surgeons has concluded that an informed and conscientious physician or parent concerned solely with an individual child's well being might reasonably advise against hepatitis B vaccination in newborns and certain adolescents, unless other risk factors such as an infected mother or contact with a hepatitis B carrier are present.[5]

In Utica, New York, a school district that was threatened with a loss of state aid for failing to meet immunization quotas suspended children who did not have hepatitis B vaccinations. After denying these children access to public classrooms, district officials threatened to report parents who complained to child protective services on the grounds of "educational neglect."[6] Note that

no one was concerned about a hepatitis B outbreak. The real issues were money and power—the power of the school to protect its financial position by threatening those who did not agree with it.

As the Utica example shows, those who advocate more state control of children's medical decisions must also take into account the numerous financial incentives and public pressures that might serve to cloud official judgment. Private programs that create incentives for state officials to act in accordance with specific private agendas are also a problem.

"Making the Grade" is a program to promote school-based health clinics funded by the Robert Wood Johnson Foundation. In 1993, the foundation began funneling millions of dollars into state agencies interested in creating school-based health clinics in New York, Colorado, and seven other states. In 1994, Colorado officials who were applying for a grant from the program promised to take steps to transfer responsibility for a child's "physical, psychological, social and educational" health from parents to "health centers" in public schools.[7]

Throughout the 1990s, supporters of school-based health care worked to pass legislation enabling school-based programs to tap into state Medicaid programs. Legislation in some states created an incentive to participate by allowing school districts to keep a percentage of their Medicaid claims for their own use. Given public school performance in other operational areas, it should come as no surprise that the U.S. General Accounting Office found that "some school district and state practices appear intent on maximizing their receipt of Medicaid funds through suspect financing methods."[8]

DIAGNOSING IN THE CLASSROOM

As things now stand, school budgets benefit when educators find something wrong with a child. More income accrues from prescribing and overseeing "treatment." Given that children are generally in good physical health, mental health care has become a honey pot for school districts. Objective diagnostic tests for mental health disorders are generally lacking, with the result that mental health diagnoses often represent little more than someone's opinion about a student's behavior.

Teachers complain about unruly students, schools are under attack for graduating functional illiterates at great expense, and psychotropic medications are now sophisticated enough to use as "chemical restraints." Vague mental health diagnoses such as "oppositional deficit disorder" and "attention deficit hyperactivity disorder (ADHD)" are in vogue, and their proponents recommend the use of psychotropic medications as "treatments" for a mental "disorder." No wonder parents with grit and determination are often the last line of defense to protect difficult children from officials who favor drugging them into compliance.

Jill and Michael Carroll had to defend their son the hard way. When Kyle fell behind in his first grade work in a school near Albany, New York, a psychologist diagnosed ADHD, and Kyle began taking Ritalin. By second grade, seven-year-old Kyle was sleeping just five hours a night, eating only

one meal a day, and showing significant personality changes. Concerned about the drug's side effects, the Carrolls informed the school that they were going to take Kyle off the drug on a trial basis. A school administrator reported them to child protective services, which charged them with educational neglect. Without any fact finding, testimony, or written decision, Judge Gerard E. Maney of Albany County's Family Court in New York ruled that the Carrolls were required to continue dosing Kyle with Ritalin.

Child abuse proceedings are notorious for their lack of due process, immediate presumption of guilt, unethical investigative techniques, and social workers' unchecked ability to traumatize children by removing them from their homes. Even innocent parents fear them with good reason.

In court and threatened with the theoretical loss of their child, the Carrolls agreed to continue the drug.[9] Only after they found a doctor willing to testify that non-medical approaches to Kyle's reading problem would be more effective were they allowed to act in his best interests. Off the drug and in a different school, Kyle's grades improved and he recovered both his appetite and his outgoing nature.[10]

Recent research by Volkow et al. at Brookhaven National Laboratory has demonstrated that Ritalin (methyphenidate) is more potent than cocaine in its effect on the brain's dopamine system.[11] In 1998, the National Institutes of Health convened a consensus conference on the diagnosis and treatment of ADHD. The consensus statement that emerged concluded that "there is no evidence regarding the appropriate ADHD diagnostic threshold above which the benefits of psychostimulant therapy outweigh the risks," that "an independent diagnostic test for ADHD does not exist," and that "there is no information on the effects of long-term treatment [with psychostimulents] (treatment lasting more than 1 year)."[12]

In short, the very existence of ADHD, as well as the safety and validity of recommended treatments for it, remains the subject of intense controversy within the medical community. Faced with a seven-year-old eating just one meal a day and sleeping only five hours per night, any reasonable person would agree with the Carrolls in concluding that the protection of their child's health required an extended holiday from this drug. The poor judgment of the officials involved in the case, and the power that they had to overrule parental wishes, is especially alarming in view of the well-documented fact that it was the stimulants, not the untreated hyperactivity, that posed the health risk.

Though advocates of more government intervention are quick to point to cases in which a parental belief in faith healing has resulted in a preventable death, the actual number of such cases has generally been small. Asser and Swam found 158 preventable faith-healing deaths between 1975 and 1995.13 While any preventable death is a concern, preliminary data suggest that state care is far more dangerous.

Children in state care suffer more neglect and have higher abuse and fatality rates. Investigators in California and Washington have documented widespread misuse of psychotropic drugs in the foster care system, including cases in which children are drugged to make things easier for the adults in charge, prescribed inappropriate drugs, given dangerous drugs without receiving the medical monitoring required for safe use, and killed due to inappropriate dosages.[14]

States should hesitate to intervene, except in clear-cut cases in which a misguided medical decision by parents could lead to immediate death or substantial physical harm. Without serious repercussions, such interventions are likely to do more harm than good. Though parents are imperfect, a better substitute has yet to be devised. Legislators and educators should base their policies on the reality that parents have the best interests of their children at heart.

Linda Gorman, Ph.D. is director of the Rocky Mountain Center for Health Care Policy at the Independence Institute, a free-market think tank in Golden, Colorado.

Notes

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3

GOVERNMENT DRUG PUSHERS AND THE RITALIN CONTROVERSY

By Shelley P. Avery

The words "drug pusher" conjure up a number of sinister images, but seldom that of a mid-20s schoolteacher struggling to manage her sixth-grade class. Yet in the United States, teachers and educators eagerly collaborate to distribute drugs, on a massive scale, to children. The campaign is conducted with the full approval of the government education system, in the belief that the practice is beneficial for children, teachers, parents, and society at large. This development is relatively recent, largely unexamined, and centers on methylphenidate, otherwise known as Ritalin.

The United States consumes more Ritalin than any other country in the world,[1] with four million people taking the drug daily. Many of those are school children, the majority of them boys, 90 percent by some accounts. Such massive drug use is disturbing for a number of reasons.

Ritalin, which requires several doses daily, stimulates the brain stem, which improves alertness, attention, and concentration. Federal law classifies Ritalin as a Schedule II controlled substance, with cocaine, opium, morphine, and methadone. The decision to classify Ritalin as a controlled substance was based in part on the experience of Sweden, where a large black market developed for the drug. Ritalin is highly addictive and its side effects include insomnia, headaches, appetite suppression, stomach aches, stunted growth, tics, and, some believe, the onset of Tourette's Syndrome.

In addition, Ritalin has been known to cause psychological disturbances such as tearfulness (also know as "lability" or "labilism"), sleep difficulties, and irritability. To justify massive use of this drug on the nation's children requires a cause, a crisis, a veritable epidemic.

THE ATTENTION CRISIS

Ritalin is sent into combat against attention deficit disorder (ADD) or attention deficit hyperactivity disorder (ADHD), relatively new names for what had been called simply hyperactivity. It has undergone multiple name changes, including "hyperkiness" during the 1960s, before giving way to ADD during the 1980s. The ADD diagnosis remains rare in Europe and is practically unknown in Japan, but it is a growth industry in America, with ADD and ADHD held to be raging like psychological Ebola through schools nationwide. The disorder supposedly affects more than 3.5 million children and five percent of those under 18. Some believe it effects up to 33 percent of all boys and 10 percent of the population, including toddlers.

In 1993, the mental health industry began to promote ADHD as a disorder, not just for kids anymore, but something adults could claim to be afflicted with as well. Popularizers jumped on the

bandwagon to make ADD a trendy new epidemic. Kate Kelley and Peggy Ramundo wrote *You Mean I'm Not Lazy, Stupid, or Crazy? Edward Hollowell's Driven to Distraction*, written with John Ratey, sold 100,000 copies in a few months. Serious clinicians cringe at this populist material, and lament that ADD allows bogus claims of psychiatric disability.

A physician who failed to pass board certification a dozen times claimed that ADD qualifies him under the Americans with Disabilities Act to be given unlimited time to take the test. A law student also sued, on the same basis, to get twice the allotted time for the bar exam. When an American, Michael Fay, was arrested for vandalism in Singapore, his lawyers used ADD as an excuse for his destructive actions.

The organization Children and Adults with ADD (CHADD), which has enjoyed generous funding from the makers of Ritalin, has worked with the U.S. Department of Education on an ADD awareness campaign. The ADD industry has also added mythology to chemistry. Mozart, Einstein, Benjamin Franklin, Winston Churchill, Thomas Edison, and other luminaries are now said to have suffered from ADD. This epidemic, however, rests on no solid scientific evidence.

According to American Psychiatric Association manuals, there are no laboratory tests that have been established as diagnostic for ADHD. The manuals' criteria for ADHD include only vague, nonmedical symptoms such as "is often forgetful in daily activities" and "often talks excessively." Despite claims to the contrary, there is no conclusive evidence that ADD is caused by "abnormal brain chemistry" or linked to brain dysfunction. In 1999, the National Institutes of Health (NIH) confirmed that there remains no independent test to diagnose children as ADD and that no clear-cut evidence exists to support the view that ADD is a biological disorder.[2] But the appeal of ADD is so powerful that it has overcome the dearth of scientific evidence.

ADD and ADHD amount to clinical absolution, an official and authoritative pronouncement of forgiveness for bad behavior. In reality, many children are simply overly active, disruptive, and inattentive. But under ADD, the child's problems are not his or her fault, not the parents' fault, and not the teachers' fault. Children are told there is something wrong with their brains that make it impossible for them to control themselves without a pill. The child is also told that his or her parents and teachers believe this as well, a powerful reinforcement. The children need to be "medicated," a response sometimes known as "shrug and drug." This approach currently benefits from powerful financial incentives.

"SHRUG AND DRUG": MEDICATING THE CLASSROOM

The current explosion in ADD can be traced to 1990 when changes in education law allowed schools to refer students for diagnosis. And under current conditions, MDs, psychologists, and even social workers are empowered to make diagnoses.

The California Code of Education, Sections 8200-8209, set out the "Child Care and Development Services Act." This is the relatively new section of the state education law that allows schools to "medicate" children. The decision that a child needs to be medicated is made by someone who has obtained a bachelor's degree from an approved institution, and completed 30 hours of coursework from an approved educational institution, including 12 semester hours of coursework related to early childhood education. This government employee need not be medically qualified and simply refers to a chart like the one found in What You Need to Know About Ritalin to recommend that the child see a doctor, likely a physician depending heavily on government business.

School officials apply considerable pressure on parents who complain. If parents do not consent to the medication, local child protective services can determine that the parents are mistreating the child. Parents who do not speak English well are led to believe that there is something wrong with their child that this supposedly advanced American school can fix.

At a September 29, 2000, congressional hearing, Patti Johnson, a member of the Colorado State Board of Education, testified that she had been elected to the board because of her support and concern for parents who had been pressured to put their children on psychotropic drugs for a variety of so-called "learning disorders," the most common of which was ADHD. She testified that in some cases they were told that their child could not attend school if he or she did not begin taking psychotropic drugs. One parent who was given the option of placing her son on a stimulant drug or removing him from school elected to homeschool her son."[3]

The massive use of Ritalin has been aided by perverse incentives. In order for a school district to obtain more federal education dollars, it needs to have a specific number of children in "Special Education." This has become a specialty in and of itself. While there are children who are truly disabled by serious physical ailments, there are other ways to qualify.

ADD does not automatically place a student in special education, though by some accounts up to 80 percent of ADD students wind up with that designation. Disclosure laws make calculation of those on Ritalin a difficult task, but districts do have an incentive to keep the number high. There is evidence that some students have made themselves "undesirable" in order to obtain "special" treatment. Very bright students who tend to "pop up" regularly with the right answer have also been labeled ADHD rather than being considered role models. In this practice, the "good" teacher is not the one who is best able to instruct the children, but rather the one most compliant with the system, holding the politically correct attitudes.

The massive use of Ritalin might satisfy administrators' quest for federal dollars and might convince teachers that students are no longer a behavior problem, but the effect of this widespread practice on children remains profoundly troubling.

Some children on Ritalin have testified that it makes them feel good, able to do things—claims that could be made of various illegal drugs. Some children on Ritalin sound as though they have had a conversion experience. It is not surprising that there is a black market for the drug, gaining popularity with high school and college students who crush it into powder and inhale it for a quick high.

According to the U.S. Drug Enforcement Agency (DEA), drugs to treat ADHD are the most stolen prescriptions and most abused legal drugs. The possibilities are indeed broad. According to IMS Health, a health care information company, the number of prescriptions for ADHD drugs rose from 15 million in 1997 to 20.5 million in 2001, a 37-percent increase. Most of the dealers, interestingly enough, are kids who are prescribed the drugs to treat their own alleged attention deficit.[4]

Since it treats symptoms, not causes, Ritalin becomes a badge of helplessness. As noted, the ADD or ADHD diagnosis sends the message that the problem is not the child's fault but rather a disease. The treatment, Ritalin, sends the message that children can't do anything about it themselves but must rely on regular medication. With large numbers of children in this situation, the long-term consequences are frightening to ponder.

The Journal of the American Medical Association (JAMA) warns that there is virtually no clinical research on the consequences of pharmacologic treatment of behavioral disturbances of very young children and that there are valid concerns that such treatment could have deleterious effects on the developing brain. As Mary Eberstadt says in her article "Why Ritalin Rules," "Let's put the question bluntly. How has it come to pass that in fin de siecle America, where every child from preschool onward can recite the 'anti-drug' catechism by heart, millions of middle- and upper-middle class children are being legally drugged with a substance so similar to cocaine that, as one journalist accurately summarized the science, 'it takes a chemist to tell the difference?'"[5]

Since the public schools are really government schools, the government currently sanctions mass medication in the classroom. The number of children on Ritalin is likely to increase because similar drugs are now being pitched directly to consumers, the first break in a 30-year agreement not to market controlled substances in this way. This prospect increases the need for action.

Legislators, policymakers, and parents should consider carefully a number of common-sense reforms. Indeed, states have already begun taking action. Those who claim to have the best interests of children at heart should take a cue from a guiding principle of the medical profession: first do no harm.

RECOMMENDATIONS

Public policy decisions should be based on the best information. Government agencies, including the U.S. Department of Education, should give legislators, the public, and the media an accurate picture of how widespread is the use of Ritalin.

Generations of American students fared well in school, remarkably free of the mysterious attention disorders that some see as a sudden epidemic calling for massive doping. More extensive research is needed on the legitimacy and extent of ADD and ADHD. And certainly, with new variations appearing and being directly marketed to the public, much more research is needed on the long-term effects of Ritalin and similar drugs on children and adults.

"Shrug and drug" is simply not acceptable policy for American children and American education. Parents should understand that no drug can take the place of their care and discipline. Further, no school system can take the place of parents, who should take responsibility for their actions and encourage their children to do likewise.

When behavior problems exist, the use of powerful drugs should be a last resort, not the first response. The decision to prescribe drugs such as Ritalin should be made by parents and a fully qualified physician, not teachers, counselors, administrators, or social workers. And such a decision should be narrowly and individually tailored, not the one-size-fits-all approach so common in American education.

Connecticut is the first state with a law banning teachers, counselors, and other school officials from recommending psychiatric drugs for students. In Texas and Colorado, recent non-binding resolutions say educators must consider non-medical solutions to behavior problems. A dozen other states have proposals on the table about the use of psychiatric drugs in schools.

Parents should not be forced to use drugs on their children. Child protective services and other agencies and strategies should not be used as threats to coerce parents into medicating their children. Minnesota has introduced a law barring schools from forcing parents to use drugs on their children who are diagnosed with ADHD.

Legislators and educators need to take a hard look at the current incentives involving Ritalin and special education. Ritalin use should not be the key to increased revenues for a school or school district. The incentives should reward, not punish, the concept of personal responsibility. Indeed, personal responsibility should be the goal of legislators, educators, parents, and students alike.

The nation's classrooms are places of discovery and learning, not hospital wards or laboratories to experiment on children. In their policy on the use of Ritalin in schools, states should follow the lead of Connecticut and Minnesota. Legislators nationwide should also expand school choice, a move that would encourage personal responsibility and empower parents with greater control over their own children's education.

Shelley P. Avery is a graduate of Stanford University and Hastings College of Law at the University of California. She has worked as a substitute teacher in California's central valley.

Notes

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4

HOW REAL ARE ENVIRONMENTAL HEALTH RISKS TO CHILDREN?

By Kenneth W. Chilton, Ph.D.

Children's health is an issue of concern to all Americans. Healthy children are better able to develop into strong contributors to society.

"Children's health" also is a frequently cited justification for tighter environmental standards. In this context, increasing emphasis is being placed on the fact that children are not just small adults. For example, adults are not likely to suffer the effects of lead poisoning from eating lead-based paint. In other instances, it is a different reaction in immature enzyme systems or other developmental processes that makes the risk to children greater than for adults.

It is not true, however, that children are more at risk from all environmental contaminants. The question is whether the risks posed by these concerns justify the increased emphasis on children's environmental health. We need to look more carefully at the evidence and to put the risks in context with other threats. The heightened concern receives disproportionate media attention compared to the underreported good news about overall improvements in children's health.

THE UNDERREPORTED GOOD NEWS

Trends in infant mortality and life expectancy at birth provide simple indicators of trends in children's health. These trends show dramatic and unmistakable improvements for the average American.

Infant mortality (deaths within the first year of life) fell in the period 1940–1999 from 43.2 deaths per 1,000 live births to 5.8 for whites, and from 72.9 to 14.6 deaths per 1,000 for blacks. Life expectancy at birth rose from 64.1 years in 1970 to 71.4 years in 1999 for African Americans. Data for Caucasians extend as far back as 1940 when life expectancy at birth was 64.2 years compared to 77.3 years in 1999.[1] The cure or prevention of various infectious diseases; earlier detection and better treatment for diseases such as cancer; better sanitation and better drinking water purification methods; increased availability of fresh fruits and vegetables; and numerous other scientific, medical, and public health advances are responsible for these highly favorable trends.

These overall indicators, of course, do not mean that there aren't particular threats to children's health that may be on the rise.

COMPARING HEALTH RISKS FROM ENVIRONMENTAL CONTAMINANTS TO OTHER RISKS

Data on childhood deaths, published in National Vital Statistics Reports, help to illuminate the leading causes of death in children. Table 1 shows the 10 leading causes of death in 1999 for two different age groups—children one–four years of age and those five–14 years old.

TABLE 1

TEN LEADING CAUSES OF DEATH IN 1999 FOR CHILDREN AGED 1–4 AND 5–14

	Ages 1-4	Annual Deaths	Rate per[1] 100,000		Ages 5-14	Annual Deaths	Rate Per[1] 100,000
1	Accidents (unintentional injuries)	1,885	12.5	1	Accidents (unintentional injuries)	3,088	7.8
2	Congenital malformations	547	3.6	2	Malignant neoplasms	1,012	2.6
3	Malignant neoplasms	418	2.8	3	Assault (homicide)	429	1.1
4	Assault (homicide)	371	2.5	4	Congenital malformations	428	1.1
5	Diseases of the heart	178	1.2	5	Diseases of the heart	274	0.7
6	Influenza and pneumonia	126	0.8	6	Intentional self-harm (suicide)	244	0.6
7	Conditions originating in perinatal period	94	0.6	7	Chronic lower respiratory diseases	139	0.4
8	Septicemia	88	0.6	8	In situ neoplasms, benign neoplasms	101	0.3
9	In situ neoplasms, benign neoplasms	63	0.4	9	Influenza and pneumonia	93	0.2
10	Chronic lower respiratory diseases	54	0.4	10	Septicemia	77	0.2
	Other causes	1,425	9.4		Other causes	1,710	4.3
	All causes	5,249	34.7		All causes	7,595	19.2

1 Age-adjusted death rate per 100,000 children in this age group.

Source: Kochanek, K.D., Smith, B.L., Anderson, R.N., *National Vital Statistics Report*, Vol. 49, No. 3 (Hyattsville, Maryland: Centers for Disease Control and Prevention National Center for Health Statistics, June 26, 2001) p.25.

For both age groups, "accidents (unintentional injuries)" are the leading cause of childhood mortality. Accidents represent 36 percent of deaths in the one-to-four age group and 41 percent of those from five to 14. Leading causes of accidental death include motor vehicle occupant injury, suffocation, drowning, fire and burns, and pedestrian and bicycle injuries. Motor vehicle accidents comprise 34 percent of accidental deaths for children one to four years old, and 57 percent of accidental deaths for those five to 14. Many of the deaths and injuries from accidents are preventable.

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In his May 1998 testimony before a Senate Labor and Human Resources Committee hearing, Dr. C. Everett Koop, former U.S. Surgeon General, claimed that 90 percent of childhood injuries and deaths are preventable.[2] And the good news is that accidental deaths are falling in the age group of 14 and under. Childhood deaths due to accidents declined 35 percent from 1987 to 1998.[3] This progress is likely due to many factors—increased use of seat belts, safety seats, bicycle helmets, smoke detectors, and many other safety innovations.

Malignant neoplasms (cancers) account for one fifth as many deaths as accidents for one to four year olds and about a third as many deaths as accidents in five to 14 year olds. Cancer deaths occur only slightly more frequently than deaths due to assaults for the group aged one to four.

In September 1996, the Environmental Protection Agency (EPA) published *Environmental Health Threats to Children*. Table 2 lists the top environmental risks to children's health as judged by the EPA. Cancer morbidity and mortality are important medical end points for many of these threats (lead poisoning and asthma being notable exceptions). Indeed, at that time, the EPA sought to link childhood cancer to environmental contaminants in a variety of forums.

TABLE 2

TOP ENVIRONMENTAL THREATS TO CHILDREN'S HEALTH IDENTIFIED BY THE EPA

Threat	EPA Comment
Lead poisoning	Affects up to 1.7 million children age five and younger.
Pesticides	Children eat more fresh produce than adults. Some pesticides can cause cancer, nervous system damage, or respiratory illness. More than 100,000 children accidentally ingest pesticides each year.
Asthma	Deaths due to asthma in children and young people increased 118 percent from 1980 to 1993.
Drinking water contaminants	In 1995, 30 million Americans drank water from systems that violated at least one public health standard.
Polluted water	Mercury contamination in fish is a major threat.
Toxic waste dumps	Ten million children younger than age 12 live within four miles of a toxic waste dump.
Polychlorinated biphenyls (PCBs)	PCBs were banned by EPA in 1976 but are still present in the environment. PCB exposure during pregnancy is reported to Cause learning disabilities.
Secondhand tobacco smoke	Can cause acute and chronic respiratory conditions in children.
Overexposure to ultraviolet light	Sunburns during childhood increase the risk of developing malignant melanoma. In the United States in 1995, there were an estimated one million new cases of skin cancer.

Developed from: U.S. Environmental Protection Agency, *Environmental Health Threats to Children*, (September 1996; EPA 175-F-96-001).

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At the EPA's September 15, 1997, Conference on Preventable Causes of Children's Cancer, Carol Browner, then chief administrator of the EPA, acknowledged that the death rate from childhood cancer has declined dramatically but went on to say that an "equally dramatic rise" in the overall number of kids who get cancer threatened to overshadow these gains. She cited higher rates of acute lymphoblastic leukemia in children, higher rates of a type of brain cancer in children, and higher rates of Wilms' tumor of the kidney. Further, "many leading health experts," she said, put the blame on "toxins found in our environment," substances in our air, water, homes, and food.[4]

The EPA's Office of Children's Health Protection (OCHP) posted a fact sheet on its web site that stated that from 1973 through 1995, the incidence of acute lymphoblastic leukemia was up by about five percent, brain cancer was up about 40 percent, and Wilms' tumor was up by about 46 percent.

But these findings were fundamentally flawed for two reasons: (1) they were based on a simple end-point analysis comparing incidence rates for 1973–1974 to those for 1994–1995; and (2) they provided no sense of the baseline frequency of these cancers. The correct way to analyze this data is by ordinary least squares regression analysis to determine if there is a significant trend taking place rather than just a good deal of random variation in the data.

When the analysis is done properly, it shows that acute lymphocytic leukemia (ALL) is increasing at a rate of three cases per 10 million each year for children 14 and younger (1973 to 1995). The base rate for ALL in 1973 was about 270 cases per 10 million for the under-14 age group. Childhood brain cancers rose at an annual rate of five cases per 10 million over the period. The 1973 base rate was 240 cases per 10 million 0–14 year olds. Kidney and renal pelvic tumors (a broader category than Wilms' tumor) show no trend. These types of cancers occurred at a rate of 70 cases per 10 million children in 1973.

A more detailed analysis of the SEER data by Martha S. Linet and her colleagues at the National Cancer Institute reached the following conclusion:[5]

> There is no substantiated change in incidence for the major pediatric cancers, and rates have remained relatively stable since the mid-1980s. The modest increases that were observed for brain/CNS cancers, leukemia, and infant neuroblastoma were confined to the mid-1980s. The patterns suggest that the increases likely reflected diagnostic improvements or reporting changes.

In short, the EPA misrepresented the modest increases in childhood cancer incidences, if there has been any change at all.

A report from the Harvard Center for Cancer Prevention estimates that just two percent of cancer incidence in the United States may be caused by environmental pollution. Food additives

and contaminants might explain another one percent of cancer cases, but it is salt, not pesticide residues, that is the confirmed cancer risk (stomach cancer).[6]

Clearly childhood cancer is not of epidemic proportions. Moreover, we should not expect to see significant improvements in its rather modest baseline incidence or mortality rate by focusing on reducing environmental contaminants.

The EPA also has emphasized the effects of air pollution, primarily ozone, on children with asthma and other respiratory problems. Approximately 15 million Americans have asthma, including five million children.[7] The EPA's September 1996 report Environmental Health Threats to Children states:

> "Many of the most common air pollutants can cause or contribute to respiratory illnesses, including asthma, which is now the leading cause of hospital admissions for our nation's children. More than 25% of the nation's children live in areas that don't meet national ambient air quality standards".[8]

Tables 3 and 4 put the most serious health end point for childhood asthma—mortality—into better perspective. When a linear regression is run with data on annual death rates from asthma for children under age four and for children ages 5–14, two things become clear: (1) the problem is really with 5–14 year olds, and (2) a favorable trend for a decade and a half was suddenly reversed for 5–14 year olds in 1976 and leveled off for those under four at that time.

For those under four, death rates from asthma fell from 1961 to 1976 at a rate of 0.2 deaths a year—from 4.5 per million to about 1.4 per million. After 1976, there is a very slight rise of 0.03 deaths a year, but this latter trend has only marginal statistical significance.

For those ages 5–14, the asthma death rate trend was also favorable from 1961 to 1976, falling at a rate of 0.09 per million a year. From 1976 to 1994, however, death rates for the same age group have increased annually by 0.14 per million, rising from about 1.1 per million to approximately 3.7 per million. The causes of these unfavorable trends in childhood asthma remain a mystery, but outdoor air pollution appears to be a poor candidate for an explanation.

As Table 5 shows, the trend in air pollution has been downward while asthma death rates have been rising for 5–14 year olds. Elevated ozone and particulate levels certainly do trigger asthma attacks, some of which can even lead to death. But it is evident that other factors must be involved in producing higher childhood asthma incidence and death rates.

TABLE 3

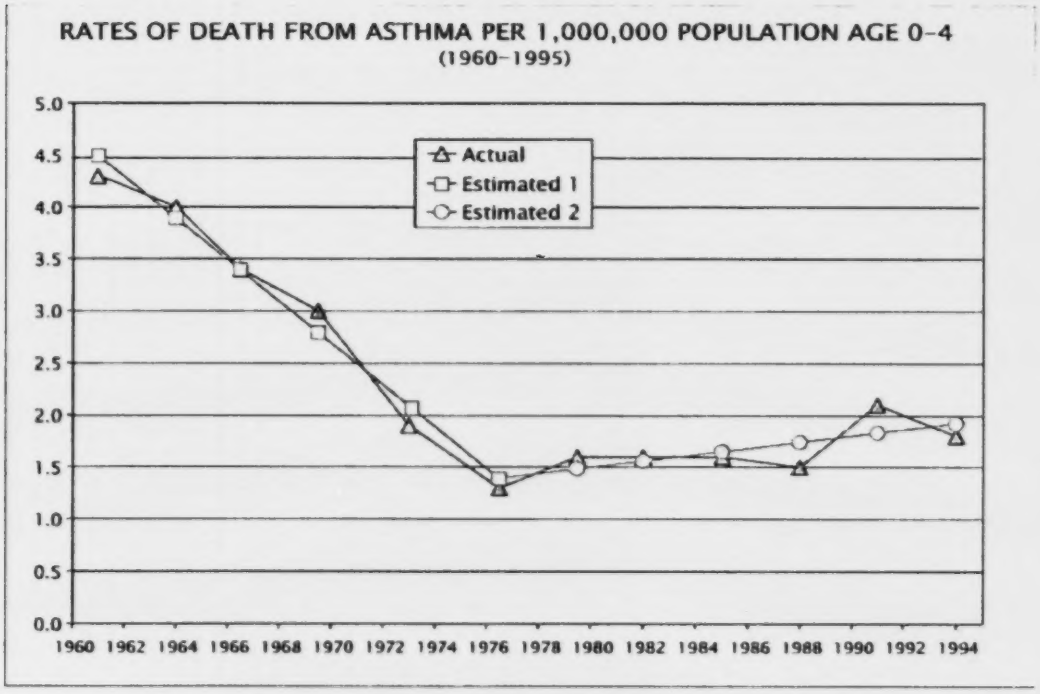

TABLE 4

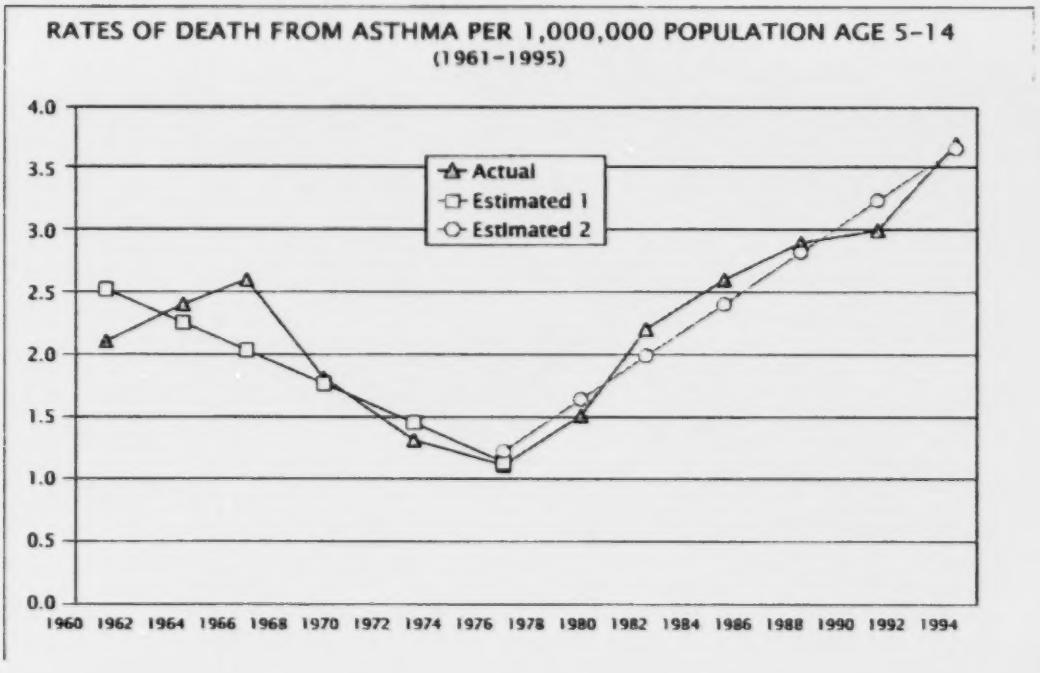

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TABLE 5

CHANGE IN U.S. AIR QUALITY-CONCENTRATION (1978–1997) AND EMISSIONS (1970–1997)

Concentration Criteria Pollutant	Emissions % Change 1978-1997	% Change 1970-1997
Carbon monoxide	60%	32%
Lead	-97%	-98%
Nitrogen dioxide	-25%	+11% (NOx)
Ozone	-30% (1 hour)	-37% (VOC)
PM10*	-26% (1988–1997)	-75% **
Sulfur dioxide	-55%	-35%

Notes. * Particulate matter measuring 10 micrometers or less in diameter.
** Includes only directly emitted particles. Secondary PM formed from SOx, NOx, and other gases comprise a significant fraction of ambient PM.
Source: U.S. Environmental Protection Agency, Office of Air Quality Planning and Standards, *National Air Quality and Emissions Trends Report*, 1997 (Research Triangle Park, N.C., December 1998), p. 9.

RISK ONLY CONSIDERED — A ONE-SIDED VIEWPOINT

Many so-called environmental contaminants play beneficial roles that far outweigh their threats to children's health. This follows the standard approach for medicines and vaccines, where some level of side effects (even including at times death) is considered acceptable because of the much greater saving of human lives from using the drug or vaccine. This same sensible approach is notably absent in most efforts to reduce health threats from environmental contaminants. Take, for example, the case of pesticide regulation.

The 1993 report by the National Research Council (NRC) titled Pesticides in the Diets of Infants and Children analyzed the possible special effects of pesticide residues on America's children. The report had a major impact on federal regulation of food, resulting in the Food Quality Protection Act (FQPA) of 1996.

The FQPA requires that residues in food must be at levels that exhibit a "reasonable certainty of no harm." The act specifically requires that pesticides be tested for effects on children. If the data on risks to children are not available, the EPA can add a tenfold safety factor to lower allowable pesticide residues. The FQPA also requires the agency to consider cumulative risks posed by all exposures to pesticides of similar classes. But what about the benefits to children's health resulting from judicious use of pesticides?

The NRC was not charged with examining this side of the equation, and its report clearly acknowledges this fact. Nonetheless, diet is reported to be one of the largest controllable risk factors for cancer. The rate of most types of cancer (lung, larynx, oral cavity, esophageal, stomach, colorectal, bladder, pancreatic, cervical, and ovarian) is roughly twice as high in the quarter of the population with the lowest intake of fruits and vegetables as in the quarter with the highest.[9]

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Synthetic pesticides are one of the key factors in producing an abundant supply of fresh fruits and vegetables. Public policies that restrict the judicious use of pesticides, or potentially ban them based on the very tight standards on pesticide residues spelled out in the FQPA, could actually harm children's health.

A Texas A&M study suggests that a 50-percent reduction in pesticide use on crops of nine fruits and vegetables (apples, grapes, lettuce, onion, oranges, peaches, potatoes, sweet corn, and tomatoes) would reduce yields by nearly 40 percent. Former Food and Drug Administration commissioner, pediatrician David Kessler, remarked on the occasion of the Clinton administration's 1993 plan to reduce pesticide use:

> "We are not saying that food is unsafe. . . . There is no reason for a scare. . . There is no doubt that the benefits of fruits, vegetables, and grains far outweigh the risks of residues of pesticides in these products".[10]

As this example illustrates, there can be serious consequences resulting from public policies that attempt to reduce the risks of environmental agents without also considering their benefits.

RECOMMENDATIONS

Protecting children's health should be a high priority for policymakers. In many cases, however, children's health is evoked to provide justification for more restrictive environmental standards that may ultimately prove detrimental to children's health. To avoid this outcome, policymakers can take several actions.

There is no good reason to place a separate research emphasis on children's "environmental" health. Legislators must be careful not to place undue emphasis on one aspect of children's health or to redistribute health research funding among age groups irrespective of the public health benefits of doing so.

Environmental legislation needs to be balanced, considering the costs, benefits, and risk tradeoffs of the regulation it proposes. The FQPA is an example of legislation that has a one-sided view of risk. The FQPA adds requirements to specifically consider risks of pesticide residues to children but does not require the EPA to consider the health benefits of fresh fruits and vegetables that would be foregone as a result of overly stringent pesticide regulations.

Environmental sources do play a role in the health of America's children. This role has been exaggerated, however, by agencies such as the EPA and by the popular press. Legislation should not be based on fears springing from such exaggeration but on a careful consideration of the scientific evidence. Children's health statistics provide little support for assertions that environmental pollution or contaminants are significantly increasing childhood cancer incidence or asthma-related deaths.

Policymakers must also keep in mind the larger picture. The risks of environmental contaminants should not be isolated, but, instead, they should be put in the context of more familiar risks to children. A one-in-a-million risk of cancer from an environmental source might frighten parents needlessly unless compared to more familiar risks such as deaths due to the failure to wear a bicycle helmet, not using an automobile's seat belt, or accidentally drowning.

Because public health resources are limited and we want what is best for children, we would be wise to question the emphasis on environmental contaminants as a leading risk to children's health.

Kenneth W. Chilton, Ph.D. served as Distinguished Senior Fellow and Manager of Environmental Research at the Weidenbaum Center on the Economy, Government, and Public Policy at Washington University in St. Louis, Missouri, from 1998-2001. His recent studies include Are Economic Growth and a Sustainable Environment Compatible? *and* Questioning the Emphasis on Environmental Contaminants as a Significant Threat to Children's Health.

Notes

1 All 1999 data from Kochanek, K.D., Smith, B.L., Anderson, R.N., *National Vital Statistics Reports*, Vol. 49, No. 3, June 26, 2001, Table C, p. 4.

2 Senate Labor and Human Resources Committee, Hearing on Unintentional Childhood Injuries and Death, 105th Cong. 2nd Sess., 5 May 1998.

3 National Safe Kids Campaign, The National Safe Kids Campaign Injury Facts: Trends in Unintentional Childhood Injury Prevention, September 2001, available online at http://www.safekids.org/tier3_cd.cfm?content_item_id=1213&folder_id=540.

4 Carol Browner, "Children's Health and The Environment: The EPA Commitment," (U.S. EPA Conference on Preventable Causes of Cancer in Children, September 15–16, 1997), http://www.epa.gov/children/document/minutes.htm.

5 Linet, Martha S., Lynn A.G. Ries, Malcolm A. Smith, Robert E. Tarone, and Susan S. Devesa, "Cancer Surveillance Series: Recent Trends in Childhood Cancer Incidence and Mortality in the United States," *Journal of the National Cancer Institute*, Vol. 91, No. 12, 1051–1058, June 16, 1999.

6 "Harvard Report on Cancer Prevention, Volume 1: Causes of Human Cancer," Graham A. Colditz, H. William DeJong, David J. Hunter, Dimitrios Trichopoulos and Walter C. Willett (eds.), in *Cancer Causes & Control*, Volume 7 Supplement, November 1996, http://www.hsph.harvard.edu/organizations/canprevent/summary.html.

7 Centers for Disease Control and Prevention, National Center for Environmental Health, "CDC's Asthma Prevention Program" April 1997, available online at http://www.cdc.gov/nceh/pubcatns/97fsheet/ asthma/asthma.htm.

8 U.S. Environmental Protection Agency, *Environmental Health Threats to Children*, (September; EPA 175-F-96-001, 1996).

9 Bruce Ames and Lois Swirsky Gold, *Misconceptions about Environmental Pollution, Pesticides and the Causes of Cancer* (Dallas, TX: National Center for Policy Analysis, Policy Report 213, March 1998), pp. 3, 4.

10 Tom Kenworthy and John Schwartz, "3 U.S. Agencies Announce Joint Commitment to Cut Pesticide Use," *Washington Post*, June 26, 1993.

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5

HOW THE GREEN CURRICULUM MISLEADS CHILDREN

By Jane S. Shaw

The place was a school in suburban San Diego. The time was the Christmas holiday program. The second-graders were supposed to share their thoughts about "what I would give to the world." One mother, looking forward to inspiring messages from the children, listened in dismay as they talked about the need for a new earth because theirs had been destroyed by pollution, deforestation, and the loss of the ozone layer. "I had never seen so many 7-year-old children filled with such angst," she wrote later. "There was no peace, joy, love. Only worry remained."

The youngsters were caught up in the whirlwind of environmental exaggeration and pessimism that is "environmental education." But they are not alone. Parents around the country have had similar experiences. They are shocked to find that the science and nature education they remember has been transformed into propaganda about humans destroying the earth.

A parent wrote a letter to the *New York Times* saying: "I have noticed a disturbing trend. With each passing school year, my children are more convinced that humans and technology are bad for the planet . . . While teachers are helping to insure a 'greener' future, I do not think they understand that children may infer a condemnation of humanity."

Every school is different, and it would be a mistake to conclude that all schools perpetrate the exaggeration and hostility to human actions that troubled these parents. Yet over the past half-decade, studies have backed up parents' anecdotes with firm evidence that the best-known and most widely used textbooks are full of exaggerated, catastrophic descriptions of environmental problems.

These studies show that books published by well-known firms such as Scott Foresman, Holt, Rinehart and Winston, and Prentice Hall are full of errors and exaggerations. In addition, they often attempt to spur children to take action, from organizing recycling programs to writing congressional representatives about environmental issues—without providing the knowledge base to justify such action.

The Environmental Literacy Council, sponsored by the George C. Marshall Institute, brought together a group of prominent scientists and economists to study textbooks and other environmental education materials used in schools. The commission's 1997 report, *Are We Building Environmental Literacy?,* found that many of the books and curriculum materials that they reviewed had "serious flaws," provided "superficial coverage of science," and mixed "science with advocacy." Environmental education, they found, "is full of texts and teachers' guides that involve students, even in lower grades, in environmental 'decision making' and environmental activities before they

have sufficient background in science and economics to understand the issues on which they are recommending action."

The commission's critique of specific topics is severe: Acid rain discussions are "badly out of date;" most materials "demonstrate a lack of familiarity with basic economic concepts;" discussion of natural resources creates "false impressions;" students are given "a misleading impression of natural forest dynamics;" global warming materials frequently "give less attention to . . . science. . . than to the politics;" population trends are presented in "an ominous light" with the uncertainties "seldom acknowledged;" few materials help readers "understand the nature of risk;" and waste management materials "often miss opportunities to introduce the complexities needed."

The only topic that generally received good marks was ecology and biodiversity, but there the commission also found serious failures. The texts rarely reveal the uncertainties surrounding estimates of the number of species supposedly headed toward extinction, and the idea of the "balance of nature," a concept largely discredited by ecologists today, is uncritically accepted.

Subsequent reviews of textbooks, including state-by-state analyses by author Michael Sanera, have shown little improvement. "With few exceptions," says Sanera, "textbook treatment of environmental issues is influenced by an ideological view that presents human beings as evil and blames the United States in particular and Western industrial societies in general for every environmental ill."

Textbooks widely used in schools have three major flaws: they exaggerate environmental problems; they emphasize harm caused by humans, especially Americans, while ignoring the good that they do; and they urge students to take political action. Thus, children receive exaggerated, pessimistic descriptions of problems and are motivated by these scares to act without being fully informed. Here are some examples.

EXAGGERATION

A textbook shows what life could be like in the year 2040: It is a hot day in January; a tourist is wiping his sweating brow as he and others cruise in a boat, viewing a city that has been submerged in water. Global warming has arrived. The polar ice caps have melted, flooding the city. This scene, the text says, "may someday be fact." In truth, global warming is a matter of scientific debate, something children should be told. The winter of 2000–2001, in fact, was the coldest on record. And even if enough warming occurred to melt the ice caps, the rise in sea level is likely to be between six and 40 inches, not feet.

A biology text says: "Just imagine what it will be like for you and your children to live in a world without elephants, giraffes, tigers, or monkeys." This is not only an exaggeration, but it is crass fear mongering.

"It has been estimated that 25 percent or more of the species now on Earth may become extinct within the next 50 years," says a text called Science Connection. These estimates are no better than guesses, which children should be told.

HUMANS, ESPECIALLY AMERICANS, ARE TO BLAME

"Commercial interests in the United States took an especially narrow view of the forests until after World War II, seeking monetary gain with little concern for the future," says an environmental science text. This statement vilifies industry, oversimplifies the history of American forestry, and fails to consider the role of economics.

"The United States has about 5 percent of the world's population. However, it uses about 60 percent of the world's natural resources," says *American Civics*, a Holt, Rinehart text. Not only is the 60 percent an exaggeration, but also Americans produce as much as they consume, and they export much of what is produced to help others around the world.

"How long can they [Americans] continue to abuse their natural wealth?" asks another text. In fact, Americans are highly efficient in their use of energy and other natural resources when compared with socialist countries.

ADDRESS PROBLEMS THROUGH POLITICAL ACTION

"Do you think a boycott of fast-food companies would halt the destruction of rain forests?" asks *Focus on Life Science*. "Would you be willing to participate in such a boycott?" A boycott would have little effect on one of the major causes of rain forest destruction—government policies in some tropical countries.

Another text urges students to "press your representatives to provide financial support for non-polluting transportation and energy-production technologies." This is a blatant political message, taking a position on an issue where there are strong differences of opinion.

"Governments must help save our fossil fuel supply by passing laws limiting their use," says a biology text. Again, this political statement interferes with an individual's freedom of choice and ignores the role of economics in influencing fossil fuel use.

What has happened here? Educators, from teachers and school principals to textbook writers, have swallowed—hook, line, and sinker—the images of environmental catastrophe that parade through newspaper headlines and television specials. Yet a growing number of books by experts have shown that such public treatment of environmental problems, from the "solid waste crisis" to global warming, is sensationalized and based on misinformation.

The most recent such book is *The Skeptical Environmentalist*, by Danish statistician Bjørn Lomborg. In his heavily documented 515-page book, Lomborg points out that the pessimistic claims of organizations from the WorldWatch Institute to Greenpeace are frequently wrong. "Mankind's lot has actually improved in terms of practically every measurable indicator," he writes.

Unfortunately, there is a group of people, an "environmental education establishment," who don't want to recognize that mankind's lot is improving. And they don't want to tone down the

exaggeration and action orientation of classroom teaching. One reason may be that without this emphasis on alarm, environmental education would diminish in prominence and environmental activism might wane.

This group of educators—primarily researchers, curriculum writers, and administrators at university-based environmental studies departments—is supported by government funds, grants from large foundations such as the Pew Charitable Trusts and the Geraldine R. Dodge Foundation, and some corporations. Their goal is to produce and disseminate environmental curriculum materials, working with environmental groups such as the World Wildlife Fund, the World Resources Institute, and the American Forest Foundation. They also encourage states to pass laws requiring environmental education. About 30 states have such laws.

The central organization is the North American Association for Environmental Education (NAAEE, known as "N double A double E"). It is supported by the Environmental Protection Agency through the EPA's Office of Environmental Education as well as private grant-making foundations. Several organizations are affiliated with NAAEE through joint programs, funding, and personal friendships, as people move from leadership positions in one organization to another.

The NAAEE is proud of its emphasis on encouraging children, from kindergarten to twelfth grade, to take action to correct environmental problems. "Responsible and informed action has been a goal of environmental education since the first definition of this field emerged nearly thirty years ago," says Richard Wilke, a professor of environmental education at the University of Wisconsin-Stevens Point and a past president of NAAEE.

Officially, the organization also recognizes the need for balanced treatment of environmental issues. Yet the response of Wilke and his associates is to defend current practices rather than to correct them. Wilke says that indoctrination by activist teachers is "the exception rather than the rule." The Environmental Literacy Council remarked in its report: "Wilke contends that many of these criticisms are unjustified, exaggerated, or politically motivated."

Environmental education is a contentious field. It is polarized—divided into critics and defenders of the status quo, with teachers and school officials caught in the middle. Because school textbooks are simplistic and often biased, well-intended teachers may be perpetuating myths and exaggerations, even when their intention is to present accurate information.

This amounts to propaganda masquerading as education, and that is not good for children, parents, or environmental policy. The status quo is clearly unacceptable and if the defects of environmental education are to be corrected, legislators, teachers, principals, and parents all have a role to play. The steps outlined below can serve as a guide.

RECOMMENDATIONS

1) Oppose the reauthorization and refunding of the EPA's Office of Environmental Education. With budgets tightening and funds diverted to other causes since September 11, 2001, this may be a time for the office to disappear quietly, or for its funding to be reduced. At the very least, it ought to be transferred out of the EPA, which is an enforcement agency, to a more appropriate agency such as the National Science Foundation.

2) Be skeptical about claims of environmental dangers. Skepticism is an antidote to exaggeration. There are well-respected books offering balanced treatments of environmental topics. Among the books that treat these topics fairly are: The Skeptical Environmentalist, by Bjørn Lomborg (Cambridge University Press); Earth Report 2000, Ron Bailey, ed. (McGraw-Hill); and Facts, Not Fear, by Michael Sanera and Jane S. Shaw (Regnery). The Index of Leading Environmental Indicators, by Steven Hayward and Julie Majeres (Pacific Research Institute), is an annual publication that illustrates environmental improvements.

3) Organize, if necessary, on the local level. Environmental education is often mandated by state laws, which often open the door to exaggeration and political education. Arizona is one state that changed its environmental education law, as the legislature responded to parents who were unhappy with what was being taught. Today, environmental education is not required in Arizona, and school districts that choose to teach it must offer balanced information that is based on current scientific findings. The new law also authorizes substantial grants to encourage balanced programs.

4) Publicize and highlight the work of those teachers who are doing a good job. For example, Tom Furrer, a teacher at Casa Grande High School near San Francisco, has devoted nearly 20 years to helping his students appreciate the outdoors. Working in both the classroom and through a student club, he and his students—the United Anglers of Casa Grande—have restored Adobe Creek, a stream that had dried to a trickle and was stuffed full of washing machines, box springs, and other junk. The students cleaned it up, planted willow tree cuttings to stop erosion, and eventually started a hatchery for trout and salmon.

This project involves learning how the natural world operates—how trees prevent erosion and how steelhead trout spawn in a river and travel to the ocean and back. The students also learned about dams—their benefits and problems. And they learned how to organize to meet a challenge. Their information was concrete, supported by their experience, and it contributed to the rest of their

schooling. This is the kind of environmental education that deserves praise. And, indeed, Furrer was named a teacher of the year by the California League of High Schools, and he was featured on the cover of *Reader's Digest.*

All too often, humans are viewed as the cause of environmental problems. There is too little recognition that humans also solve environmental problems, as Tom Furrer and his high school students did in California. That is the lesson all the nation's children need to learn.

For their part, legislators and policymakers, who claim to have children's best interests at heart, also need to learn a lesson. Children are the nation's future. As such, they are far too important to be misled by cleverly disguised, publicly funded propaganda campaigns that sacrifice science and facts for politics and hysteria.

Jane S. Shaw is a senior associate of the Center for Free Market Environmentalism at the Political Economy Research Center (PERC) in Bozeman, Montana. She is co-author with Michael Sanera of Facts, Not Fear: A Parent's Guide to Teaching Children about the Environment *(Regnery, 1999), and she co-edited with Ronald Utt* A Guide to Smart Growth *(Heritage and PERC, 2000).*

6

HOW PRIVACY POLICIES AFFECT CHILDREN

By Declan McCullagh

IS THERE A PROBLEM?

The privacy debate has become polarized between activist groups that demand near-complete privacy for everyone, no matter the economic cost, and government agencies that want near-complete surveillance, no matter the threat to liberty. This muddled thinking has led Congress to enact hasty, counterproductive laws that have boosted police surveillance while ostensibly helping children.

Privacy activists argue that being "let alone," as Justice Louis Brandeis once put it, is a fundamental human right that should be enshrined in law as surely as freedom of expression and freedom of religion. In a typical letter sent to Congress, the liberal Electronic Privacy Information Center complained that "Internet users today still have no legal protection against the surreptitious collection of personal information and tracking of their activities on-line."

That dark warning neatly summarizes the current thinking in legislatures, where detailed discussions of the best way to regulate how corporations compile and use personal information occupy countless lobbyist-hours and encourage regulatory enthusiasts to constantly increase their demands. Currently there are few regulations that govern how U.S. web sites collect, store, and use information. This could change soon. Congress has convened dozens of hearings on the topic, and many observers expect sweeping legislation to be enacted in 2002.

As proof of a problem, politicians cite polls showing that Americans are worried about privacy. One survey found that 81 percent of Net users are concerned about threats to privacy on-line. In another, 72.2 percent of Americans polled said there should be new "Internet privacy laws." One problem with such polls, however, is that talking abstractly about privacy is a pointless exercise.

Many car buyers agree that they value low prices, but if queried about safety, fuel efficiency, performance, and reliability, are likely to respond that those options easily justify a higher sticker price. So it is with privacy. The polls do not explain the downside of regulations.

OPT-IN VS. OPT-OUT

Imposing Draconian new restrictions on marketing and information sharing would raise costs to consumers, particularly the less affluent who rely more on free or low-cost services supported by advertising. By hurting startups that would otherwise rent physical or electronic mailing lists, regulations hand established firms an unfair advantage. Another problem is that the polls seem internally inconsistent.

One *BusinessWeek* survey says that 57 percent of Americans hope the federal government will pass privacy laws for the Internet. But a *Jupiter Consumer* survey reports that only 14 percent of consumers say that new laws would make them more likely to trust web sites.

It is, of course, natural to be a little nervous about privacy. But nobody—except the government—can force you against your will to hand over your personal information on-line. If you don't feel comfortable giving information to a web site, you have plenty of alternatives: Don't type it in. Don't go there anymore. Sign up with a service like anonymizer.com. Or give bogus information.

Much of the current debate revolves around what should be the default standard for on-line data collection: Opt-in or opt-out? Should businesses be able to collect and use information by default unless users object by clicking a box on a web site? Under an opt-out standard, the data you provide to a company is theirs to use unless you say otherwise. Under opt-in, the data is to be kept completely private unless you give your permission. Defaults are important: Some research suggests that when it comes to privacy, only 10 percent of users will alter their privacy profile when given a chance.

If an opt-out standard gives companies rights by default to information that they collect, then businesses likely will crop up to educate consumers, rate dot com firms, or allow privacy-cautious Internet users to shield their identities. But if an opt-in standard is the default, then it's more likely that firms will err on the side of caution and retard innovation. It might seem that if Internet privacy remains unregulated, then consumers will suffer. But if consumers do care about privacy, web sites will have an incentive to offer profit-maximizing options that consumers prefer.

Meanwhile, a misguided call to protect America's youth has already led to legislation at the federal level.

CHILDREN'S ON-LINE PRIVACY PROTECTION ACT

The Children's On-line Privacy Protection Act (COPPA) took effect in April 2000. It says that if you operate a commercial web site catering to children under 13—or if you're running a general-audience web site that has any subscribers under 13—you must leap through the law's many hoops. The regulations, written by a cadre of lawyers at the U.S. Federal Trade Commission (FTC), are a bureaucrat's dream and an entrepreneur's nightmare. Perhaps the most onerous is "verifiable parental consent," meaning that, according to the FTC, "a parent of the child receives notice of the operator's information practices and consents to those practices."
(http://www.ftc.gov/bcp/conline/pubs/buspubs/coppa.htm)

For some web sites, already suffering from advertising and stock price slumps, the additional cost of COPPA compliance was a disaster. AltaVista said in February 2001 that it had "closed down all of its community services, which includes all interactive services, such as chat rooms, bulletin

boards, and free e-mail." Earlier, Zeeks.com said that complying with COPPA would cost $200,000 to employ chat room supervisors, monitor phone lines to answer parents' questions, and process permission forms.

A company executive told ZDNET it was "the straw that broke the camel's back" and that Zeeks.com had decided to remove all interactive elements such as e-mail and chat rooms. Even Thomas the Tank Engine, a wildly popular children's TV show, had to disappoint thousands of young fans by halting their regular e-mail bulletins. COPPA made it illegal for the Thomas the Tank Engine show to continue sending e-mail, the "Fat Controller" character sadly informed his readers. In response to COPPA, on-line matchmaker Ecrush.com decided to say goodbye to 2,000 young subscribers, and NBCi angered its pre-teen clientele when it COPPA-canceled their e-mail accounts.

Don Boudreaux, an economist and attorney, notes that Congress can't anticipate all side effects of such laws. "No matter how careful they are in crafting legislation, that legislation will cut in directions it wasn't intended to cut. It will fail to solve problems it was intended to solve," Boudreaux says. "It's legislation aimed at governing 270 million people. How in the world can a few hundred people in Washington craft legislation that takes account of all the nuances and subtleties and ingenuity and creativity of 270 million people?"

COSTS OF NEW LAWS

Pro-regulation activists rarely take into account how much it will cost firms to comply with privacy laws and how those costs will affect Internet users and a technology sector already stumbling from a market downturn.

A recent study by Robert Hahn of the American Enterprise Institute estimated how many companies would be regulated by draft legislation, then surveyed consulting companies to learn how much it would cost an average web site to comply with the rules. Hahn concluded that the total cost ranges between $9 billion and $36 billion. If Hahn's estimates are anywhere near correct, marginal tech companies will be required to lay off workers or, in some cases, be driven to bankruptcy.

A telling example of the benefits of the free-market approach comes from Europe's experiences. Even though Europe has strict privacy regulations, the free-market approach of the United States, which requires firms to respond to market demands, is more effective. A January 2001 report from Consumers International, a global association of more than 260 pro-regulation groups, concludes that "despite tight EU regulation, sites within the EU are no better at telling users how they use their data than sites based in the U.S. Indeed, some of the best privacy policies were found on U.S. sites."

Europe's data collection rules have led to some unexpected side effects that have hurt activists, consumers, and the less powerful. Jacob Palme, a professor at Stockholm University, has documented how Sweden's implementation of the directive has imperiled free speech. Swedish regula-

tors have prevented American Airlines from transferring customer information from Europe to its SABRE reservation system in the United States. They also prosecuted an activist who set up a web page critical of a large bank and named bank directors, and they prosecuted an animal rights activist who published a list of fur companies. Concludes Palme: "Looking at the way the law is used, one can see that unpopular or controversial opinions are suppressed."

GOVERNMENT COLLECTION

While it makes sense to be skeptical of limits on the private sector, it makes equal sense to be skeptical of limits on police surveillance powers. The war on drugs, coupled with steady advances in spy technology, has granted police eavesdropping capabilities unprecedented in American history.

The FBI's Carnivore surveillance technology updates wiretapping techniques for the digital era, but with a twist. Instead of listening in on one telephone line when armed with a wiretap order, the FBI typically has the ability to monitor the conversations of anywhere from dozens to thousands of Internet users. The FBI has reassured Americans that agents would never misuse this awesome ability. But the bureau has refused to divulge technical information that could let independent reviewers check for themselves. Under former FBI director Louis Freeh, the bureau went even further, demanding backdoors into web browsers, encrypted hard drives, and secure e-mail programs. In 1997, a House committee approved Freeh's proposal, but the full body never voted on it.

The USA Patriot law, a response to the September 11 attacks, also expanded government power. It allows police to use Carnivore in some circumstances without a court order. It encourages police use of "roving wiretaps," and it permits them to listen in on any telephone that a subject of an investigation might use. It expands police authority to access any type of stored or "tangible" information in business records. It allows police to obtain a court order, sneak into a suspect's home, and not notify the person that they had been there until much later.

"BURNING DOWN THE HOUSE"

Another danger in the crusade to protect children at all costs is that new laws can infringe on the rights of adults. A famous example took place in the 1950s when Michigan enacted a law attempting to ban books that might aid in the "corruption of the morals of youth." A legal challenge eventually made its way to the Supreme Court, which tossed out a conviction made under the law. Justice Frankfurter wrote: "The state insists that, by thus quarantining the general reading public against books not too rugged for grown men and women in order to shield juvenile innocence, it is exercising its power to promote the general welfare. Surely, this is to burn the house to roast the pig." (http://laws.findlaw.com/us/352/380.html)

Filtering software in public installations does just that. Parents, of course, have the right to decide whether to use porn-blocking software on their home computers (if you do, be warned that it's pretty buggy). But government-run computers in public libraries are a different story. Often filtering software becomes a kind of bait-and-switch maneuver: Tell the press and legislators it's to preserve childhood innocence, but install it in computers used by adults. Depending on the library, it may be possible to ask a librarian to come over to type in the master password, but who wants to do that? Especially if you're visiting sensitive medical or sexual education web sites.

The American Library Association then filed a lawsuit to overturn CIPA, which requires libraries receiving federal money (and most do) to filter their Internet connections. A three-judge panel in Philadelphia ruled in 2002 that because Internet filtering software is so problematic, CIPA library requirements violated the first amendment. The Justice Department is appealing this ruling to the Supreme Court.

A GUIDE FOR LEGISLATORS

Children are not miniature adults, and they deserve protection. The question for legislators is which privacy policies best protect children without crippling on-line companies and while preserving liberty and free speech. The record thus far shows that the safer, more cautious approach is one that upholds traditional principles of limited government and free enterprise. Coupled with parental choice, innovative products in the marketplace can protect children without the imposition of new, costly, and ultimately counterproductive regulations.

Declan McCullagh lives in Washington, DC, where he writes about the intersection of technology and politics. He edits the Politech mailing list at politechbot.com.

7

WHY UNIVERSAL PRESCHOOL WILL NOT HELP CHILDREN

By Darcy Ann Olsen

At the American Federation of Teachers' most recent biennial conference, union president Sandra Feldman called for a "national commitment" to schooling all three- and four-year-olds. At least Feldman was magnanimous enough to suggest that preschool remain voluntary. District of Columbia Councilman Kevin Chavous, on the other hand, sees no problem with forcibly taking young children from their parents. His ominously titled "Compulsory School Attendance Amendment Act" would make school compulsory for every preschool-aged child in the nation's capital. But D.C. tots aren't the only ones trading their sippy-cups for school desks.

Four-year-olds in New York, California, and Georgia have already taken seats in public schools. And visionary bureaucrats in Texas and New Jersey have opened public schools to three-year-olds.

Few parents of young children support universal preschool initiatives. But politicians, persuaded by self-professed child advocates who contend that preschool can stem declining student achievement, have rushed to seat three- and four-year-olds in public schools. According to U.S. Department of Education data, however, a majority of American children enter kindergarten with the tools for academic success. Despite that running start, student performance plateaus and declines during the middle- and high-school years. Preventing that decline requires reforming the nation's K–12 public schools, not mandating prep school for preschoolers.

KINDERGARTNERS TODAY

An estimated 60 percent of children already attend preschool without being dragged there by the state. And there's no evidence that children who don't attend are shortchanged. Education Department data show the majority of America's children, those with and without formal preschool, enter kindergarten with the social and academic skills that are necessary for school achievement.[1]

On factors that kindergarten teachers say are among the most important for school readiness—health, enthusiasm, and curiosity—children earn straight As. Parents report that 92 percent of children seem eager to learn, about 85 percent demonstrate creativity in their work and play, and all but three percent are in good health. In terms of concrete reading and math skills, 94 percent recognize numbers and shapes, and can count to 10, and two in three know their ABCs.

Despite America's success with a flexible system of early education, advocates insist on copying Europe's state-run model. But international test scores suggest that universal preschool is failing to give European children any special advantages. In France and Spain, for instance, more than 90

percent of three- and four-year-olds attend state preschools. Yet on international reading tests, U.S. fourth graders significantly outscore their French and Spanish counterparts.[2]

Although U.S. students sprint ahead during the elementary years, they slow down with each passing year. By 12th grade, they are at best "D" students on the international scale. Putting kids two years earlier into the distressed public school system cannot solve that problem. And at first glance, the education establishment's enthusiasm for preschool seems paradoxical.

PASSING THE BUCK

At an annual cost of $8,000 per child, according to the National Education Association, preschool puts a massive strain on state budgets. Financing two additional grades undermines opportunities to increase teachers' salaries and hire new teachers—a grim prospect for a workforce that complains of being underpaid and overworked. But as public schools come under increasing scrutiny for poor student achievement, the leadership has another concern: waning public support.

The percentage of Americans who say that they have "a great deal" or "quite a lot" of confidence in public schools has fallen from 58 percent in 1973 to 49 percent in 1988 to 36 percent in 1999, according to the Gallup Organization. At the same time, support for policies such as vouchers and tuition tax credits has blossomed. Rather than implement true reforms, the establishment denies its shortcomings and points fingers.

American Federation of Teachers (AFT) union boss Sandra Feldman, for example, says the charge that schools are failing to educate poor children "is a total myth." As to why the achievement gap persists, she says, "One of the main answers can be found in the 68 percent of a child's waking hours outside of school versus the 32 percent spent in school."[3] To drive the point home, Feldman also proposes extended-day and extended-year schooling along with new summer programs.

Policymakers should note that private schools aren't making excuses; they're getting the job done. According to the National Assessment of Educational Progress, mean reading scores for fourth-grade black and Hispanic students in private schools are 20 points higher than their respective national means, and the achievement gap between groups is less pronounced. If black students across the nation had the same scores as black students in private schools, the national black/white achievement gap would shrink from 33 points to 13 points. For Hispanics, the disparity would move from 29 points to nine. Even controlling for income levels, the private-school advantage holds.[4]

THE RESEARCH

Research suggests that preschool and childcare settings account for about two to four percent of the variance in early school performance, which is to say that preschool's influence is marginal.[5] In the long run, factors such as genetics, family, neighborhood, K–12 schooling, and life experiences easily

outweigh the influence of preschool. This may explain why few preschool programs have conferred lasting benefits on children.[6] Yet advocates paint a different picture of preschool's promise.

The California Department of Education's Universal Preschool Task Force describes preschool this way: "Extensive research in recent years has demonstrated the undeniable influence of preschool education on children's later success in school. When children experience success in school, numerous other problems such as dropping out of school, delinquency, crime, and teenage pregnancy are prevented."[7]

To support these claims, proponents of universal preschool invariably trot out three studies—*Perry Preschool*, *Abecedarian*, and the *Chicago-Parent Center*. Each study compared children in experimental intervention groups against children who didn't receive special services, and each found that participating children fared better on a variety of academic and social measures than children in the control group. Whatever their merits, those studies do not support the claims that most children should attend preschool.[8]

The most important distinction is that each study worked only with severely disadvantaged children, not with the general population. According to recent figures from the Federal Interagency Forum on Child and Family Statistics, however, most children are not significantly disadvantaged. In fact, the poverty rate for children dropped to 16 percent in 1999, the lowest figure in 20 years.[9]

Suggesting that benefits gained by the populations of children studied would be conferred to children in the general population is akin to suggesting that because sick children get well in hospitals, all children should be sent to hospitals. Further, there is a strong body of evidence that suggests that early schooling might be inappropriate for many preschool-aged children and might even be harmful to their development.

Research has shown that conversations at home may be the richest source of linguistic and cognitive enrichment for children from all but the most deprived backgrounds, and that premature schooling can potentially slow or reduce a child's overall development by replacing valuable play time.[10] Thus, preschool might be appropriate for some children but not for others.

Given that preschool studies have concentrated on disadvantaged children and given evidence that preschool programs might not be suitable for all children, significantly more research on children from the general population needs to be conducted in order to show that most children would benefit from preschool. The results from Georgia's universal preschool program are instructive in this regard because they move beyond theoretical and experimental constructs into real life situations.

In 1995, Georgia became the first state to fund statewide preschool for all four-year-olds regardless of family income. The program is funded by the state lottery, and preschool providers include public schools, Head Start agencies, non-profit childcare agencies, for-profit childcare agencies, churches, and private schools. Programs operate a minimum of five days a week and for a minimum of six and one-half hours per day.

Funded by Georgia's Office of School Readiness, researchers at Georgia State University completed a longitudinal study of children in the universal preschool program. Using the Georgia Kindergarten Assessment Program (GKAP), the research team assessed the progress of participating children during their kindergarten year. In each of the five domains assessed—communicative capability, logical-mathematical capability, physical capability, personal capability, and social capability—between 93 and 97 percent of children were competent. The researchers compared student scores for this sample against all students in the state and concluded, "The study sample does not differ from the entire kindergarten population in GKAP capability scores."[11]

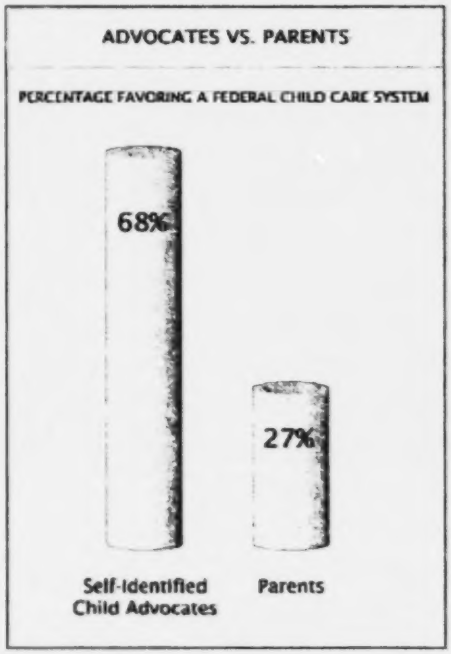
In other words, children in the pre-kindergarten program performed no better than children in the general population. Reports also show that GKAP scores are essentially the same as they were before the adoption of public preschool. Georgia State School Superintendent Linda Schrenko expressed the state's disappointment, saying, "The only message you can get from it is that our kindergarten non-ready rate is the same, regardless of what we do."[12] It is important to note, however, that GKAP scores suggest that the majority of Georgia's kindergartners are "ready to learn" at kindergarten entry.

OPTIONS FOR COMMON-SENSE REFORM

In 1965, only 10 percent of U.S. four-year-olds attended preschool. Today, 60 percent attend preschool.[13] Despite this trend, student achievement was higher in 1965 than it is today.[14] While the relationship between inputs and outcomes is more complicated than this linear analysis suggests, it is nonetheless reasonable to expect that increased preschool enrollment would have some noticeable impact on student achievement, if that were possible. But self-professed children's advocates have been slow to discover what parents seem to know instinctively.

No one setting suits all children. Not surprisingly, the agenda for universal preschool has little parental support. According to the non-partisan organization Public Agenda, while 68 percent of self-identified "children's advocates" say government policy should move toward a universal, national child care system, only 27 percent of parents share that vision.[15]

TABLE 6



Source: Steve Farkas, Ann Duffett, and Jean Johnson, "Necessary Compromises: How Parents, Employers and Children's Advocates View Child Care Today," *Public Agenda Report*, 2000, pp. 11-12.

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Parents of America's youngest children also say that they should be responsible for footing their own child-care bills. More than seven in 10 parents say that they should be responsible for the costs of caring for their own young children; only one in four say all taxpayers should help pay the costs.

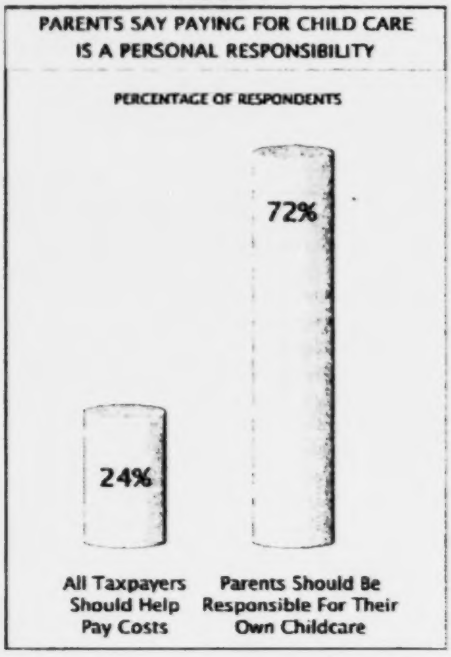
Even a majority of low-income parents—those earning no more than $25,000 a year—believe that bearing the cost is essentially their responsibility, not society's.

Rather than adopt expensive preschool programs that few parents want and that few children need, policymakers should pursue across-the-board tax rate cuts. This nondiscriminatory policy can empower families with greater means to select an appropriate setting for their children, whether formal preschool, home care, childcare, or a combination of settings.

But calls for preschool must not sidetrack policymakers—improving student achievement requires full-scale education reform. There is strong evidence that America's flexible approach to early education works. Although U.S. students have a strong start, school performance declines the longer that they stay in the public school system. Today's students also perform poorly relative to their parents' generation; domestic test scores have been slipping for three decades. At least part of that decline can be traced to the nation's severely troubled public schools.

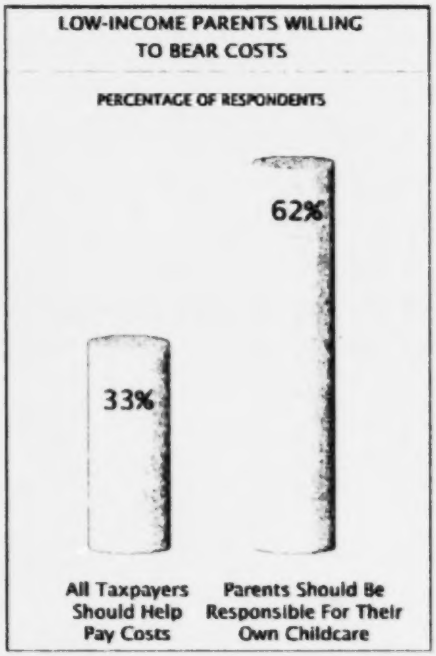
Under the current system, the state assigns children to schools, bureaucrats pick textbooks, arbitrary standards drive curriculum, and the establishment passes the buck when students fail. The so-called ready-to-learn crisis is just one of many excuses in a decades-old blame game. Since 1970, per-pupil expenditures have doubled, class sizes have shrunk, and teachers' salaries have grown. Despite those infusions of spending and

TABLE 7


PARENTS SAY PAYING FOR CHILD CARE IS A PERSONAL RESPONSIBILITY
PERCENTAGE OF RESPONDENTS
72%
24%
All Taxpayers Should Help Pay Costs
Parents Should Be Responsible For Their Own Childcare

Source: Steve Farkas, Ann Duffett, and Jean Johnson, "Necessary Compromises: How Parents, Employers and Children's Advocates View Child Care Today," *Public Agenda Report*, 2000, p. 11.

TABLE 8


LOW-INCOME PARENTS WILLING TO BEAR COSTS
PERCENTAGE OF RESPONDENTS
62%
33%
All Taxpayers Should Help Pay Costs
Parents Should Be Responsible For Their Own Childcare

Source: Steve Farkas, Ann Duffett, and Jean Johnson, "Necessary Compromises: How Parents, Employers and Children's Advocates View Child Care Today," *Public Agenda Report*, 2000, p. 11.

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the adoption of countless reforms, student achievement has declined. State legislators can begin to reverse that trend by adopting measures that permit school choice.

School choice takes the politics out of schooling by putting parents in control. The classic school-choice plan would return to parents a part of their state taxes or a portion of current state expenditures, so that they could pay tuition at any school of their choice.[16] School choice means educators must deliver the goods now—not in five, 10, or 20 years—or watch their students leave for better schools, taking their money with them.

Defenders of the status quo argue that expectations for schools are too high, that schools can't be expected to compensate for poor parenting, and some students will always fail. Although there is some truth to these sentiments, there is substantial evidence that school choice can help "high-risk" children. For example, since 1990 nearly 100 public and private scholarship programs have given children from low-income families the chance to trade in their government education for a private one, resulting in significant, measurable gains on achievement tests.

Those gains appear in both privately sponsored programs such as the Washington Scholarship Fund in Washington, D.C., and publicly sponsored programs like those in Milwaukee and Cleveland. More than a dozen studies by independent research organizations have shown that choice programs consistently confer positive benefits on students: parental involvement increases, student achievement improves, and both public and private schools work to attract students by improving services.[17]

When parents control education spending, schools that can't teach shut down and schools where children excel and look forward to learning flourish. Legislators should reject universal preschool and instead work to return education dollars, education choice, and education power to parents. Empowering parents through school choice will improve educational opportunities for all children.

Darcy Ann Olsen is the executive director of the Goldwater Institute; prior to this position, she was director of education and child policy at the Cato Institute, where she was a leading force in opposing efforts to nationalize day care.

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8

PRIVATE PHILANTHROPY AND THE EDUCATION OF LOW-INCOME CHILDREN

By Thomas C. Dawson

In 1997, philanthropists Ted Forstmann and John Walton offered partial scholarships to 1,000 low-income families in Washington, D.C., so that their children could attend schools of the parents' choice. Nearly 8,000 families applied for scholarships and, impressed by the outpouring of demand, Forstmann and Walton expanded their program nationwide the following year. This time more than one million families from 20,000 communities across the country applied for 40,000 scholarships[1]

In just three years of operation, Forstmann and Walton's Children's Scholarship Fund (CSF) has become the nation's largest provider of scholarships to private schools. It has also helped spawn a growing network of scholarship foundations in states and communities, and a few state legislatures have passed tax-credit laws encouraging charitable giving to such groups.

Why has interest in these philanthropic organizations surged? One obvious reason is the lack of choices available to low-income parents in government-run schools. With a few exceptions, notably Milwaukee, Cleveland, and Florida, states and local communities have refused to allow taxpayer funding to help pay tuition at non-government schools. But this has done nothing to slow demand.

Private philanthropy fills an important niche in meeting parental demand for increased educational options. Research suggests these privately run programs also are effective in boosting student outcomes. In 2000, a Harvard University research team released its findings from an evaluation of three privately funded choice programs in New York City, Washington, D.C, and Dayton, Ohio. The two-year study found that in the three cities taken together, average test scores among African-American scholarship students who transferred from public to private schools improved more than three percentage points after the first year and by more than six points after the second year. Both improvements were statistically significant.

Interestingly, no other ethnic group achieved significant gains, but the improvements cut the average national test-score gap among participating African-American students with white students by about one third after just two years. The study notes that other popular reforms such as class-size reduction have far weaker effects on narrowing the academic gap between white and African-American students over a comparable period of time. Similarly, Texas and North Carolina have adopted accountability systems that have been hailed for boosting performance among minority students. But the study finds that the effect of scholarships on African-American student performance in the three cities after just two years is twice as large.[2]

Other studies suggest private-scholarship programs have additional positive effects. A nationwide study of CSF, conducted in 2001, comparing scholarship students and their public-school peers, finds that parents whose children attend schools of choice rank their schools higher than parents whose children remain in government-run schools. Seventy-two percent of choice-school parents give their children's schools an "A" grade, while only 16 percent of public-school parents are as favorable. The average choice-school grade is an A-minus compared to an average public-school grade of C-plus.

The study suggests discipline is greater in choice schools and violence is less common. While almost half of public-school parents indicate that fighting is a problem in their child's school, none of the choice-school parents made a similar statement. Fewer private-school parents report that disruptions in school are common—eight percent versus 57 percent of public-school parents. Also, while class sizes are smaller in choice schools, the more notable distinction is the difference in school size. The size of choice schools in the survey is approximately 230 students, while public schools are more than twice as large, with an average size of 500 students.

While choice critics maintain that private schools often outperform government-run schools because they "cherry pick" the best students, 72 percent of scholarship parents report that their children gained admission to their preferred school. Also, while critics frequently maintain that scholarships do not come close to covering tuition at expensive private schools, 40 percent of scholarship takers pay between $1,000 and $2,000 in tuition, with 26 percent spending $500 to $1,000 and 25 percent between $2,000 and $4,000. In total, 69 percent spend less than $2,000, and 94 percent spend less than $4,000.[3]

STATES' LEGISLATIVE RESPONSES

As private philanthropy has assumed a greater role in allowing low-income children to attend schools of choice, laws in some states have made it easier for charitable organizations to provide scholarships. For example, in Arizona, state taxpayers may take a credit for donations to programs that help low-income children attend schools of choice. Donations are limited to $500 a year and may not be used by parents for their own children or by businesses. Since the law was passed in 1998, more than 19,000 scholarships have been awarded, with 80 percent based on financial need.[4]

Florida and Pennsylvania passed laws in 2001 allowing corporations to take tax credits for donations to non-profit scholarship organizations. In August 2001, 190 Pennsylvania businesses contributed more than eight million dollars on the first day of the program. Says Verizon Pennsylvania CEO Dan Whelan, "the credits are great for kids, but down the road they also address our ever-increasing difficulty in finding people who can pass entry-level tests for employment in good jobs."

Under Pennsylvania law, scholarships can only go to families that earn up to $70,000 per year, depending on the number of children in the family. The average scholarship is estimated to be worth $1,000 a year, more than half the tuition of the average Philadelphia Catholic school.[5]

In California, the state has failed repeatedly to implement broad taxpayer-financed school choice. In 2000, Proposition 38 would have provided a scholarship to every student in the state, regardless of income, to attend a school of choice. The measure failed at the polls despite massive fundraising and financial assistance from Silicon Valley. Similarly, another universal voucher initiative, though less well funded, also failed by a large margin in 1993. A more targeted plan to provide scholarships to students trapped in failing schools was introduced in the legislature in the mid-1990s during Governor Pete Wilson's tenure, but failed to win passage. Nevertheless, as in other states, private philanthropy has stepped in to fill the gap, allowing thousands of low-income children to attend schools of choice.

CSF has two chapters in the state. In San Francisco, it is affiliated with the Basic Fund, a local philanthropic group that provides average scholarships of $1,200 to 1,900 children in 135 schools across the Bay area.[6] CSF also has a chapter in Los Angeles, providing scholarships to 3,696 children for the 2001–02 school year, while also distributing about 930 scholarships to students in 13 other western states.[7]

THE CATHOLIC EDUCATION FOUNDATION (CEF)

The Catholic Education Foundation (CEF), which works in conjunction with the Archdiocese of Los Angeles, is an even larger program, providing 5,029 tuition grants to low-income children to attend Catholic schools in 2001–02. The foundation also funds other programs, including a principal-training institute that attracts high-quality leaders interested in running mostly low-income, urban Catholic schools. With a budget of $7.185 million for the 2002 fiscal year, it is the largest non-religious support group for Catholic education in the country.[8]

CEF is an excellent case study of how a private philanthropic group can extend educational choices to students who are most in need of assistance, namely low-income children. In 2001, the Pacific Research Institute (PRI) released a study of the CEF program, finding that scholarship recipients are not children from active, well-connected families in local church parishes, but tend to come from very poor, single-parent homes, and whose local public schools perform well below district and state averages. According to academic research, it is these children who benefit most from Catholic education.[9]

Several studies over the past two decades have found that Catholic schools have a long record of successfully educating low-income minority children. Whether one observes test scores, dropout rates, college-attendance rates, or a host of other indicators, quantitative research finds that Catholic schools outperform local public schools in educating children from urban, low-income areas.

CEF was founded in 1988 and works in conjunction with local parishes in the archdiocese. Families apply through their local schools for scholarships, and eligibility is based on a sliding scale, depending on income and family size. In the program's first year, CEF allocated $500,000 to provide tuition assistance for 740 children enrolled in schools throughout the Archdiocese of Los Angeles. By 2000–01, the program distributed $4.5 million to 4,700 children in 227 Catholic schools in Los Angeles, Ventura, and Santa Barbara counties. Eligible students in grades K–8 received $800, while high-school students received $1,500.

In 1999–2000, PRI surveyed more than 13,000 families whose children attended Catholic schools in Los Angeles, and 250 Catholic-school principals. The purpose of the surveys was two-fold. First, the analysis sought to compare children who received CEF scholarships against other Catholic-school students who did not. Were scholarship recipients the types of children who previous research suggests most benefit from Catholic education, or were they children of active, well-connected parents who self-selected into the program? Second, the surveys asked principals to describe how they managed their schools and what types of assistance that they received from the archdiocese, their local parish, and outside sources.

More than half of the students responding to the survey were from minority families, and some 46 percent were Hispanic. Not surprisingly, an overwhelming number were also Catholic. Furthermore, the likelihood of receiving a scholarship increased significantly for lower-income families. Coming from a family earning less than $10,000 a year increased the probability of receiving a scholarship by 57 percent compared to a child whose family earned $30,000 or more. Similarly, for family incomes of $20,000 to $30,000, these students were 37 percent more likely to receive a scholarship. If a child's parents were separated, had not completed high school, or had other children, then the child was more likely to receive a scholarship.

The public schools that scholarship recipients would attend all ranked below district and state performance averages. These schools were predominantly minority, but so were the recipients in question. For example, 78 percent of Hispanic scholarship recipients would have attended majority-Hispanic schools. The data suggest that race did not determine who elected to attend non-government schools, but that children of all races chose not to attend under-performing public schools. More interesting information emerged from the principal survey.

While class sizes were higher, the size of Catholic schools was dramatically smaller than local public schools. The average Los Angeles Catholic school enrolled 300 students, while the average public elementary school had 700 children, the average middle school enrolled 900, and the average high school consisted of more than 2,000 students. These numbers relate to a growing body of academic literature that finds that school size, not class size, has the greatest impact on student performance.

Catholic primary schools also spent an average of $2,200 per student annually, while high schools spent less than $5,000 per student. Public schools in the Los Angeles Unified School

District spent an average of more than $9,000 per student. Catholic schools also paid certified teachers 22 percent less than district schools.

While the archdiocese has promised to increase teacher pay in the future, lower-spending Catholic schools suggest that the path to improved student performance is not guaranteed by larger outlays to public education. Catholic schools are deregulated, principals are free to hire and fire staff where appropriate, and 90 percent of funding is raised on the local level. And while the archdiocese retains some oversight control, schools and parishes are accountable largely for their own successes or failures.

The track record of the Catholic Education Foundation, and other private charities across the country, is responsible for their growing popularity and reputation as effective substitutes for government services. Private scholarship foundations will flourish so long as demand for increased educational options intensifies and government agencies refuse to experiment with expanded parental choice.

In the meantime, lawmakers in California and across the country should encourage contributions to such groups, as Arizona, Pennsylvania, and other states do. Private philanthropy can be a model for government programs to emulate. If interest groups block the expansion of school choice with taxpayer dollars, then private organizations must lead the way. As the Catholic Education Foundation, Children's Scholarship Fund, and other groups demonstrate, the results will speak for themselves.

Thomas C. Dawson is special assistant to the deputy secretary, U.S. Department of Education, and the co- author of several studies on education reform, including Helping Hand: How Private Philanthropy and Catholic Schools Serve Low-Income Children in Los Angeles *(PRI, 2001).*

Notes

1 For more information, please consult the Children's Scholarship Fund at: http://www.scholarshipfund.org.

2 William G. Howell, Patrick J. Wolf, Paul E. Peterson, and David E. Campbell, "Test-Score Effects of School Vouchers in Dayton, Ohio, New York City, and Washington, D.C.: Evidence from Randomized Field Trials," August 2000, The Program on Education Policy and Governance, Harvard University, available at: http://www.ksg.harvard.edu/pepg/index.htm.

3 Paul E. Peterson and David E. Campbell, "An Evaluation of the Children's Scholarship Fund," May 2001, The Program on Education Policy and Governance, Harvard University, available at: http://www.ksg.hravard.edu/pepg/index.htm.

4 "Extra Credit," *Wall Street Journal* editorial, September 5, 2001.

5 *Ibid.*

6 Please see information on the Basic Fund, available at: http://www.basicfund.org.

7 Based on telephone conversation with Michael Warder, executive director of the Children's Scholarship Fund-Los Angeles, August 8, 2001.

8 Based on telephone conversation with Hugh Ralston, executive director of the Catholic Education Foundation, July 25, 2001, and additional information can be obtained at http://www.cefdn.org.

9 For information cited in the rest of this paper, please refer to: Thomas C. Dawson and Eric A. Helland, *Helping Hand: How Private Philanthropy and Catholic Schools Serve Low Income Children in Los Angeles* (San Francisco: Pacific Research Institute for Public Policy, 2001), available at: http://www.pacificresearch.org.

9

HELPING CHILDREN BY REFORMING AMERICA'S FAMILY COURT SYSTEMS

By Doug Bandow

In few areas does the welfare system operate worse than juvenile/family courts, which oversee children and families in the foster-care system. The result is suffering on the part of American's most vulnerable—our abused, neglected, and abandoned children. By one estimate about 650,000 children spent at least part of 1997 in foster care, a 50-percent increase from the previous decade. Dependency often doesn't end with the foster-care system.

The Rockville, Maryland, consulting firm Westat, Inc., looked at kids two and a half to four years out of foster care. The sad result: "Youths who leave foster care at age 18 because they are no longer eligible may experience unstable and troubled lives."

All told, "46 percent had not completed high school, 38 percent had not held a job for more than one year, 25 percent had been homeless for at least one night, and 60 percent of young women had given birth to a child. Forty percent had been on public assistance, incarcerated, or a cost to the community in some other way."

When studying foster children who had left the system two years before, the ACLU found that 51 percent were unemployed, 46 percent had dropped out of school, and 40 percent were on AFDC. Former foster kids were almost 30 times more likely than other people to end up in jail. The advocacy group Coalition for the Homeless once estimated that 60 percent of New York City's homeless population had spent some time in foster care. The city puts the number at 10 to 11 percent, and 17 percent for women, numbers that are shocking enough.

There are many causes of the growing foster-care caseload and dependency. Nevertheless, spurred by the federal government, most states have begun to address shortcomings in their juvenile or family courts. These reforms provide a basis for further improvements to a system that affects the lives of so many children.

Foster care is primarily intended to help children whose homes have become unsafe. In the very short-term, states are concerned with safeguarding children who would otherwise be in danger. Over the longer-term, states hope, theoretically, at least, to return kids to newly safe homes or place children in new permanent homes.

Over the past decade, federal and state legislation has transformed the role of courts, both juvenile and family, that deal with children. As the population in foster care has grown, the menu of issues facing both state welfare agencies and family courts has expanded greatly. Two decades

ago courts had only very limited authority over the decisions of social welfare agencies on the placement and treatment of children. Today courts must consider whether to provide emergency placement outside of the family, order emergency remedies other than removing the child, approve the development and implementation of a plan for children taken from their homes, terminate parental rights (TPR), and approve adoption.

As the decisions of the courts, such as TPR, became more critical, the government established more procedural safeguards for children and their families. Instead of finishing with one or two decisions, every foster-care case is now an ongoing monitoring process involving multiple hearings.

HOLDING THE SYSTEM ACCOUNTABLE

There are two obvious ways to judge the success or failure of the system, including juvenile/family courts. The first is how well it protects children from harm. On this measure the system is obviously imperfect.

The second standard is how quickly the government places children in permanent homes. Here the system skirts with abject failure, with many children languishing for years in foster care.

In general, the system intervenes in more cases than necessary—at least, in terms of where government actually can improve the lot of children. Second, the system has difficulty making decisions once it intervenes. As a matter of policy it sometimes won't make a decision. As a matter of procedure it sometimes can't make a decision.

Policy reform could help improve the operation of the foster-care system, including family courts. Everything from the standards under which children are removed from their homes to federal funding formulae warrants review. State and federal law should emphasize speedier TPR and adoption. Contracting out foster care and adoption services to private, community-based agencies is another promising strategy.

The judicial process, too, discourages swift adjudication of claims. The differences among the states make it difficult to offer a national assessment. But overall, many systems suffer from what has been termed in Illinois a "culture of delay."

In general, courts handling dependency cases face a number of problems, including: whether authority over family (or at least foster care) decisions is unified in one court; the degree of meaningful judicial oversight; court caseloads, staffing levels, poor training; administrative, assignment, and calendar practices that promote delay; the adequacy of representation for all parties; and whether courts are otherwise family friendly.

THE FAMILY COURT SYSTEM

Although the expansion of foster care has encouraged some states to create unified family courts, their powers still vary substantially by state. The fewer functions performed by the same court, the less efficient the process. For instance, if related family issues (custody in a divorce case and allegations of abuse or neglect) end up before different courts, related family problems are decided by separate judges in separate actions. Multiple actions mean multiple hearings. Moreover, it is more difficult for any judge to build up institutional knowledge of a family's history and problems.

Courts must also determine, per federal law, whether or not welfare agencies are making "reasonable efforts" to reunify families. Most states also add periodic reviews not mandated by Washington. If courts are to be tasked with overseeing agency actions, they should logically be entrusted with the power to enforce compliance with relevant laws and regulations. That is not, however, always the case.

Sometimes judges do not exercise the power that they have. Unfortunately, though court reviews are perhaps the most important feature of dependency litigation from a legal standpoint, they are often the most perfunctory in practice.

As a result, courts are failing in one of their most important responsibilities: to ensure that states are meeting the "reasonable efforts" standard of preserving or reunifying families. Early mistakes become more costly to remedy in the future. Moreover, as noted earlier, failing to fulfill reasonable efforts will delay TPR and adoption.

Good court organization must be supported by good court practices. One aspect is the status accorded foster-care cases. As a number of analysts and state reviews have observed, in many states dependency litigation is regarded askance by judges, who prefer other assignments. Judicial administration and workload also play important roles. Hearings are often delayed, and judges have less time to spend on any particular case.

Another critical issue is the form of scheduling. A master calendar system assigns succeeding proceedings in the same case to different judges. An individual or direct calendar assigns a case, irrespective of the number of ultimate proceedings, to one judge. Under a master calendar there is little "institutional memory."

Similarly, many states rely on calendar calls, when several cases are scheduled and proceed one after another. In contrast, time-certain scheduling, when a hearing is set for a particular date, results in less waiting. A variety of other infirmities bedevil some courts. Inadequate numbers of, and inadequately trained, personnel hinder court operations. Lack of modern automated data processing and inability to track caseflow hinder the sharing of information and monitoring of cases through the system.

Also critical is the quality of the legal advocates for all parties. Unfortunately, uneven representation impairs both the justice and efficiency of the proceedings. The ability and willingness of

state agencies to abide by the law and regulations obviously also affects the operation of juvenile/family courts. Inefficiencies by agencies and courts reinforce one another.

Finally, courts that handle dependency actions face a number of more mundane challenges. Inadequate notice of court action, confusing forms, ill-informed staff, and poor facilities are evident in many states. Many of these problems are evident in any courtroom, but they are often exacerbated by the unique circumstances involving juvenile/family actions.

STATE-BASED STRATEGIES FOR REFORM

The forgoing presents a daunting list of problems to be remedied. There are, however, a number of obvious reform strategies that all states could profitably apply.

The most fundamental issue may be the power of judges. The Constitution as well as sensible policy requires judicial review for decisions affecting the most basic rights and liberties of citizens, which include interfering with one's family and terminating one's rights as a parent. At the same time, largely routine administrative decisions are best left with agency personnel, subject to review for obvious error.

Striking the right balance involves resolving several different factors. One is the breadth of the court's responsibility. Family disputes are often multi-dimensional. As noted earlier, one response has been to establish unified family courts to bring together a range of related family disputes—divorce, child custody, child support enforcement, abuse/neglect—in one forum. States also can graft some attributes of family courts onto existing organizations. As California Judge Leonard Edwards observes, "Many court systems have tried to achieve the benefits and efficiencies of unified family courts through better coordination, without changing the entire judicial structure."

Use of individual rather than master calendaring, thus ensuring that one judge handles a case throughout its life, is a particularly important technique. Other strategies include allowing multiple cases involving a family to be conducted together. This ensures that court and agency personnel cooperate, particularly by sharing information, as they handle family matters before different courts. The establishment of a case-management system allows interested parties to learn about related actions. All these measures will be aided by developing better communication among court personnel.

Whichever procedure is adopted—establishment of family courts or specialized juvenile courts with due emphasis on dependency cases—would help streamline the handling of family-oriented cases. As the National Center for Juvenile Justice explains, "Family court is better described as a set of functions rather than a structure."

Irrespective of the larger judicial framework, quality judges are necessary. When viewed as a matter of low status, abuse/neglect litigation is more likely to garner less experienced and qualified

judges. In fact, however, dependency cases are vitally important, warranting use of the best and brightest judges.

The impact of good judges is enhanced if they are only infrequently rotated through dependency cases. Adequate numbers of judges and staff are necessary to ensure that any judge in any system can give the cases before him or her the appropriate attention. There is enormous diversity among states today in how they organize and staff their courts. Of course, this is inevitable, given the differences in caseloads across the nation. Skimping on court resources, however, is likely to be costly.

Another approach to reduce the crush of cases would be for states to explore alternatives or supplements to court hearings. One of the most important is alternative dispute resolution (ADR), which allows the parties to resolve disputes outside of the courtroom. Most abuse/neglect allegations are already resolved outside of the formal legal process. ADR provides a somewhat more structured alternative to today's informal negotiations. Similar, though non-binding, is mediation, which attempts to steer the parties towards a compromise settlement.

Family group conferences bring together family members, often including extended relatives and friends, to craft a solution that is subject to final court approval. Similar is Oregon's system of Family Unity Meetings, which engage community members, such as ministers, who are able to lend support, as well as family members.

Moreover, judicial leadership is important. Judges should press the child welfare bureaucracy to make its decisions speedily. Exactly how intrusive that review should be remains contentious and should vary depending upon the competence of the relevant agencies and stringency of their rules and review processes.

Small changes can make a big difference. Today even the best education, training, and experience might be wasted if judges spend only temporary duty on abuse and neglect cases.

As noted earlier, decisions are likely to be most expeditiously arrived at if a single jurist handles the affairs of a single family. Even when it proves impossible to assign an entire family's affairs to one judge, states should assign foster-care cases to particular jurists through direct or individual calendaring. The principle of one judge for one case also applies to other judicial officers, such as referees and hearing officers.

The impact of assigning one judge per family case will be minor if the judge nevertheless devotes little time to the case. Hearings must be serious and lengthy enough to allow a genuine review of the issues and actions before the court. Good judges in good judicial systems also can limit delays and move cases along.

Another important step is time-certain scheduling, rather than relying on calendar calls, to help reduce waiting. Some experimentation and mixture of methods might provide the best results. Better management, use of computers, and forms also would improve court performance.

Quality representation for all parties, and as early as possible in the process, is also a must. Decisions are likely to be better and delays fewer if important issues are fully addressed and resolved along the way.

Perhaps the most obvious need, one recognized by every state, is for additional training of all participants, judges included. Valuable as well is cross training, bringing together members from different agencies and positions.

Given the disproportionate role of families and particularly children in these cases, waiting rooms and courtrooms should be designed accordingly. Although retrofitting existing facilities might be prohibitively expensive, the needs of families should be taken into account in new construction.

Unfortunately, remedying the problems of family/juvenile courts will not be easy. It is a process, not a single step. A number of related pieces must be put in place, and it won't be cheap. But effective reforms can deliver justice at reasonable cost.

Few government functions are more basic than that of the judiciary, and few judicial actions are more sensitive than the decision to remove children from their families. Policymakers have an obligation to ensure that the legal system has sufficient resources to carry out this function. And the long-term costs of not fixing the system are high.

"For the children" has become a political cliché, used to justify almost any new intrusive regulation or special interest subsidy. But in the case of foster care and juvenile/family courts, reform really is "for the children." Those who are abused or neglected—by their parents or by the foster-care system—deserve better.

All told, the problems faced by family courts across America are immense, but so are the possibilities for meaningful reform. The process has begun, at varying speeds across the United States. Some states lag and much remains to be done, but a detailed reform program has emerged, from which states can draw. In doing so, they should be able simultaneously to retain the diversity that marks their independence as states while better promoting the overriding goal of quickly placing needy children in permanent, loving homes.

Doug Bandow is a senior fellow at the Cato Institute, a columnist and regular contributor to many prominent media outlets, and the author of studies addressing a wide range of policy issues.

10

ADOPTING SOLUTIONS

By Charmaine Crouse Yoest

THE WAITING ONES

Clad in a red, white, and blue Stars and Stripes sweater, Angelique tilts her head, posing sweetly with her chin resting on a shoulder and gazing toward the camera with a direct, angelic expression. Her arresting beauty looks like it belongs to a child with a modeling portfolio, not a "special needs" foster child, with a portfolio specially crafted for prospective parents. It's not hard to imagine her as she is described by the social worker responsible for finding her a permanent home: Angelique is "high energy" and enjoys "people who will introduce her to the world." And then, a poignant note: she is "open" to being adopted separately from her sister.

The file for her equally beautiful and engaging sister, Celeste, reports that she, too, "really wants to have a family." Which is more heart breaking—Angelique's fellow foster children who are desperate to remain with their siblings, or these two sisters who want a home badly enough to make the strategic decision to separate?

Phillip is only six years old and smiles shyly at the camera. His file reports that he has great ambitions for when he grows up: he wants to be a fireman. For now, though, his favorite hobby is coloring. He wants to be adopted, it says, but he wants to stay with his older brother.

Similarly, Trisha and Billy both smile bravely, but clearly face the unknown future together. Trisha is 11 and has her arm tightly clasped around her big brother's shoulder. She has long, glossy black hair and round cheeks; he has a blond crew cut—they both have gold medals strung around their necks. They "very much want to have a family."

The backstory of each one of these children is private, but we know that to have reached this point—a ward of the state and available for adoption—their childhoods are filled with pain. Many of the files contain the simple phrase "needs help with issues of loss."

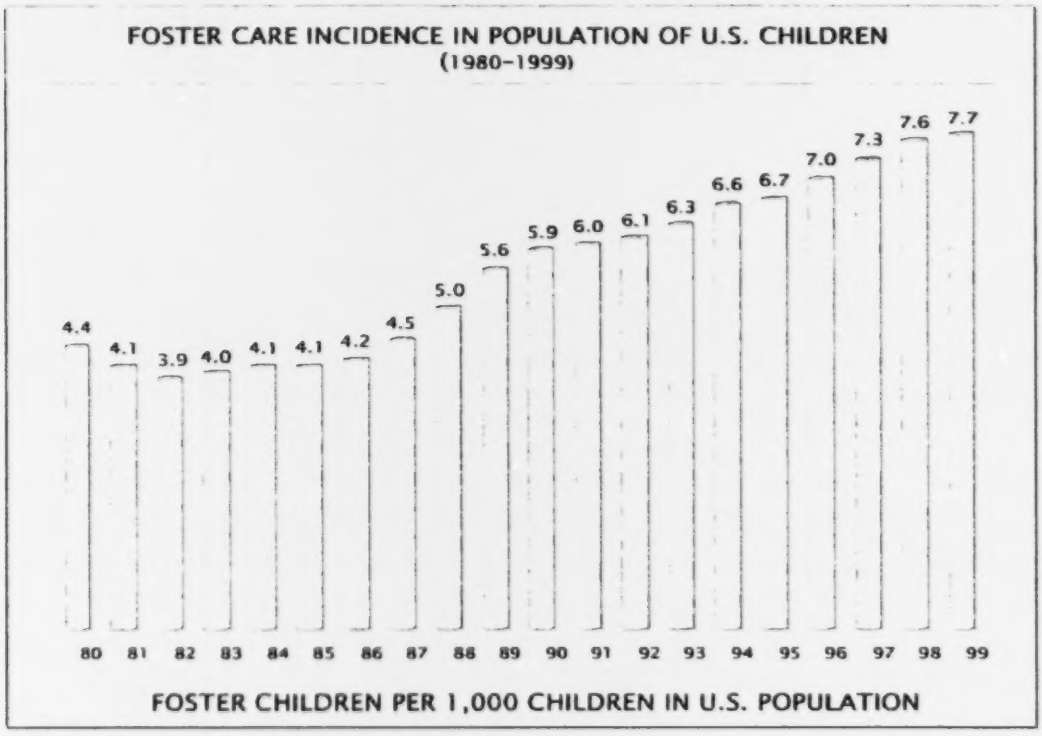
Loss and longing are big issues for such young lives. Rhetoric about the importance of family to children is common and sometimes vapid. The absence of family, however, is crucial for these children, and the private void can have huge public ramifications. A Westat study discovered that among youths who "graduated" from foster care having never found a permanent home, 40 percent were receiving public assistance or were incarcerated two and a half years later, 46 percent had not completed high school, and 60 percent of the young women had given birth to a child.[1] Another study done in New York City found that among its homeless population, more than 10 percent of men and 17 percent of women were former foster children.[2]

Similarly, Bureau of Justice statistics found that 17 percent of prison inmates had been in foster care.[3] Sadly, the number of children confronting the challenge of family loss has been increasing.

THE NUMBERS

In 1962, there were only 3.9 children in foster care for every thousand American children. Today, that ratio has increased to 7.7 children per thousand.[4] According to the latest data released by the U.S. Department of Health and Human Services, there are now 581,000 children in foster care. Of these children, 107,581 have adoption designated as their official "case goal." Another 105,084 children—18 percent of the children in foster care—do not yet have a plan established for them.[5]

TABLE 9



Source: The AFCARS Report, U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children's Bureau, www.acf.dhhs.gov/programs/cb

As of September 30, 1999, there were 127,000 children whose parental rights had already been terminated and were awaiting adoption.[6] And while these figures seem high, the true number of children affected by foster care is even higher: these oft-quoted figures are "snapshot" numbers—they are a count taken at a discrete moment in time.

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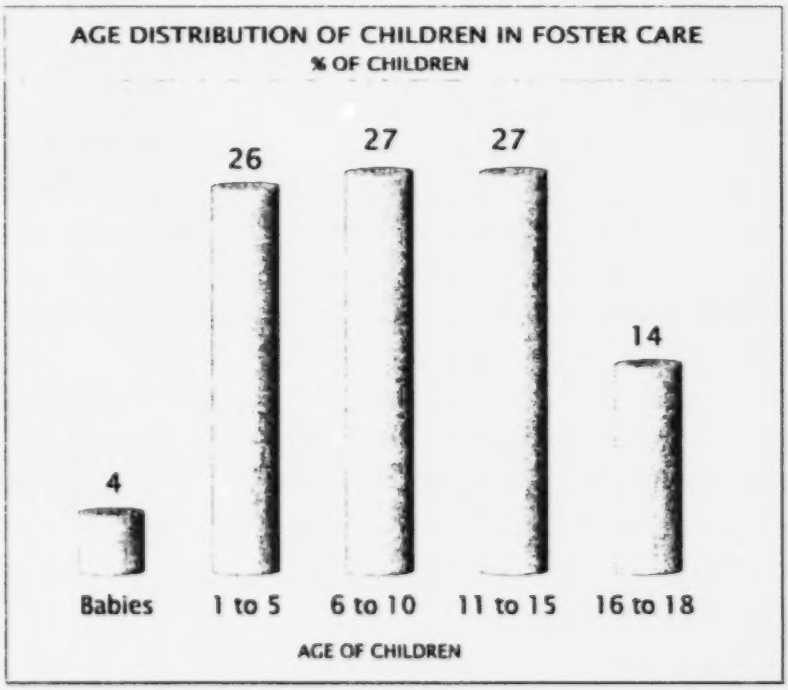
Foster care, on the other hand, is more like a movie: it is a dynamic institution with children both entering and exiting, which can obscure the total number of children involved. Looking only at the number of children in the program at any one time doesn't give a true picture of the load on the system or, more importantly, the human toll. For example, nationwide at the beginning of 1999, there were 560,000 children in foster care. Over the year, 266,000 entered care, while 244,000 exited care. Since more children entered than exited the system, at the end of 1999, there were 568,000 children in foster care, but throughout the year there were actually 826,000 children moving through the system.[7]

Each state has its own dynamics and challenges, so the numbers vary across the country. California is one of the states that has been included in a study of foster-care caseloads done by the Chapin Hall Center for Children. The study found rapid and steady growth in the state's caseload. The increase, however, appears attributable largely to population growth; the number of children entering foster care as a percentage of the population has been "relatively stable" at three per 1,000 children in the general population since 1991.[8] The study found, however, that the length of time in care in California is increasing relative to other states.

The ages of children in foster care are fairly evenly distributed: only four percent are babies, while 26 percent are between one and 5; 27 percent between six and 10; another 27 percent between 11 and 15; and 14 percent between 16 and 18. The California percentages are almost exactly the same.[9]

TABLE 10



Source: The AFCARS Report, U.S. Department of Health and Human Services, Administration for Children and Families, Administration on Children, Youth and Families, Children's Bureau, www.acf.dhhs.gov/programs

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A full 21 percent of the children in foster care have experienced between three and four "placements" during their time in foster care.[10] The median length of stay for children currently in foster care is 21 months; those leaving fared somewhat better with a median stay of only 11 months.[11] Particularly troubling is that 18 percent of the children in care have been in the system for five years or longer; almost half, 46 percent, have been in for more than two years. And the length of time these children are spending in foster care is increasing.

Conversely, for those children who do exit the system, half of them, 52 percent, have only been in the system for less than 12 months.[12] Indeed, in their description of the federal foster-care system, the officials at the federal Children's Bureau note that the majority of children return to their families—in fact, approximately 60 percent are reunified with their families.[13] It might be that this indicates a system successfully delivering services to families in need, or it might be an indication of a system with an overbroad reach and diluted, even counterproductive, effectiveness. There appears to be a two-tier system: children who move somewhat rapidly in and out of the system, while others become trapped by the law of unintended consequences. Who are these children?

The typical mental picture many people carry of foster children is of older children, or those struggling with disabilities. While there certainly are many children with such challenges to face, contrary to expectations, 38 percent of children awaiting adoption nationwide are under five years old; in California it is 63 percent.[14] Tragically, more than half of these children have been waiting more than three years since being legally free to be adopted.[15]

Surprisingly, of all the children in foster care, only 29,764 are categorized as "special needs." And of these, only 21 percent are given this classification because of a disability. Instead, 31 percent of the children are "special needs" because of their age, while another 20 percent are, like Angelique and Celeste, Phillip, Trisha, and Billy, members of a sibling group.[16]

At the same time, the amount of money spent on foster care has been increasing dramatically. Since 1991, federal spending has increased 103 percent, rising from $1.98 billion to $4 billion.[17] A 1999 study by the Urban Institute found that in 1996, child-welfare spending by the states totaled $14.4 billion.[18]

So much money, and so few results. Children are languishing in a system intended to help them. Why are we spending so much money and yet these children wait to be adopted? Of the 127,000 children currently waiting, already legally free to be adopted, the average continuous time in foster care was 44 months, with nearly two years of that time spent since their parental rights had been terminated.[19] What are the problems with getting these children adopted?

One of the best studies on this question has been conducted by a former foster child, Harvard educated Conna Craig, who founded the Institute for Children. Craig argues that the foster-care system, however well intentioned, has actually been structured to maintain children in foster care, rather than move them into permanency. Writing in 1997, she and her coauthor, Derek Herbert, argued that the system suffers from perverse financial incentives, the harmful effects of govern-

ment monopoly, an inappropriate reluctance to terminate parental rights, and an overly broad definition of "special needs" children, which slows adoptions.[20]

PERVERSE INCENTIVES

Although the problems with foster care are compounded and made more complex by the human dimension and the high stakes involved, the actual system itself operates like any large bureaucracy: you get what you pay for . . . slowly. For many years, public child-welfare agencies received their budgets based solely on the number of children being maintained within their system. Additionally, at the federal level, placement administration and training have averaged 48 percent of federal expenditures since 1989.

Those costs have increased from 43 percent in 1990 to 51 percent in 1999.[21] The federal foster-care program is a permanently authorized, open-ended entitlement. Child-welfare agencies with increasing caseloads—precisely the opposite, of course, of their stated goals—automatically received increased budgets. As James Q. Wilson has explained, bureaucracies are rational.

Even so, when we look at the $14.4 billion that the Urban Institute reported went to foster care in 1996, averaged over the 725,000 children who moved through the system that year, we find only $19,862.07 spent per child.[22] Maintenance rates for foster children range from an average of only $329 a month for small children to $407 for teenagers.[23] As a result, we had the worst of all possible situations: incentives that were perverse, pernicious, and paltry for a public market with no competition.

The same year that Craig and Herbert wrote their damning report, Congress finally moved to address some of the problems that were highlighted, beginning with the perverse incentives. The Adoption and Safe Families Act of 1997 tried to introduce free-market principles to energize a moribund market. The new child-welfare system includes an emphasis on adoption, encouraged by incentive payments to states that increase their adoptions in a year over the baseline established the previous year. For each finalized adoption over the baseline, the state receives $4,000, and, if the child is a special-needs child, the state qualifies for a total of $6,000.

In 1998, all but 16 states qualified for these incentives. Indeed, the program has been so successful that in 1999 Congress had to appropriate an additional $23 million, and it eventually gave the states a total of $42.5 million in adoption incentive awards.[24] The trend is continuing: for fiscal year 2000, adoptions from public child-welfare agencies were up 10 percent from the previous year.[25]

PRIVATIZATION

While policymakers at the federal level are turning to time-tested principles like incentive payments to encourage more adoptions, some states are turning to private nonprofit agencies to make it actually happen. Michigan has been a leader in experimenting with privatization, along with Kansas,

Florida, Ohio, and Arizona. Much like the federal adoption incentive program, Michigan uses an "outcome-based reimbursement system" to contract out its adoption services to private agencies.

The system begins with a "standard rate" award that is payable to an agency if a child in its care is placed in an adoptive home beyond seven months. A placement within seven months garners $6,520; five months is $8,660; three months is $10,000. If a child has not had an adopted family identified after three months of being a ward of the state, the child must be registered with the on-line Michigan Adoption Resource Exchange (MARE), a photo listing of adoptable children; once listed, any private agency in the state may place the child with a recruited family and receive awards of $7,000 to $9,325. In 2000, among private agencies that performed these contract placements for the state, 55 percent of their 1,523 placements were above the standard rate.[26]

Michigan's experience demonstrates that, not only do you get what you pay for, but also a rising tide lifts all boats. While private agencies placed the most children in 2000—increasing their placement numbers by 10 percent to 1,523, from 1,311 the previous year—the public agencies increased their finalized adoptions by 20 percent over 1999, placing 1,265 children. Perhaps most interesting is the performance of both the public and private agencies over time.

The cost of placement through the private agencies is more expensive—$6,899 per adoption, on average—versus $5,630 for the public agencies. However, the private agencies have consistently outperformed the public agencies, placing more children each year for the past decade. And even though the private agencies have been placing more children, both the public and the private agencies have been steadily and dramatically increasing their adoptions.

In 1990, the public agencies placed 572 children and the private agencies placed 650, for a total of 1,222. That total had more than doubled by 2000.[27] If the public child-welfare agencies and the private adoption agencies in Michigan are in competition, then it is the foster children who win in the end.

PROMOTING FAMILIES AND PERMANENT HOMES

The Michigan example highlights other benefits of public-private partnerships and the vitality that can emerge from applying the ingenuity of American business to a system stymied by bureaucracy. The MARE, with its lively graphics and its appealing pictures of winsome children, is a potent tool for raising the profile of foster children awaiting adoption. Look carefully— the web site is co-sponsored by the Dave Thomas Foundation.

Then, think for a moment: where can a foster child get a glossy, attractive "publicity photo" to post on a web site? A child could get one for free from a Sears Photo Studio. Sears will send it to the National Adoption Center (NAC), a web site that lists available children nationwide—sponsored by, in addition to Sears and Wendy's, Unisys, WorkGain Software, and answerthink. Since its inception, the web site has helped to place more than 16,000 children into permanent adoptive homes.

Chris, Tierra, and Sarah are three of these children. Although they are biological siblings, Chris had never lived with Tierra and Sarah until they were all adopted by David and Glenda Kinghorn, when they were nine, six, and four, after Glenda saw them on the NAC's "Faces of Adoption" page. The children were from Louisiana; the Kinghorns live on a dairy farm in Minnesota. Joining the Kinghorn's other two children, now they're all a family. "You're mine and they don't get you back," Glenda told Chris once, "even if I'm mad at you." That's a family. And now Chris, Tierra, and Sarah, all together, know what it means to be part of a family.

Charmaine Crouse Yoest is a Bradley Fellow at the University of Virginia and co-author of Mother in the Middle. *She teaches "politics and the family" and is a frequent political commentator.*

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21 *The Green Book*, Table 11-42, p. 756. These costs associated with finding and finalizing adoptive homes is co-mingled with other administrative costs.
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11

WHAT LAWMAKERS NEED TO KNOW ABOUT FAMILY PRESERVATION POLICIES

By Laura Anne Dykes

INTRODUCTION

Recently the foster care system failed 11-month old Danzel Bailey of Los Angeles. Danzel died of starvation after the county moved him from the custody of his foster parents to his grandmother. Why would the Department of Children and Family Services (DCFS) move young Danzel out of the care of his able foster parents? State law requires that families be kept together whenever possible.

Because Danzel Bailey's mother is addicted to drugs, he was placed with caring foster parents. But the county moved Danzel to the care of Sarah Jones, his maternal grandmother, where Danzel was starved to death. When Danzel died of starvation and pneumonia, he was little more than scarred skin and bones. He had bald spots, no teeth, and weighed only 12 pounds.

Another reason Danzel died is that the overloaded DCFS failed to monitor his health and safety monthly. Danzel's death, while all too real, is a symbol of a system that is broken and in need of reforms that will prevent future tragedies.

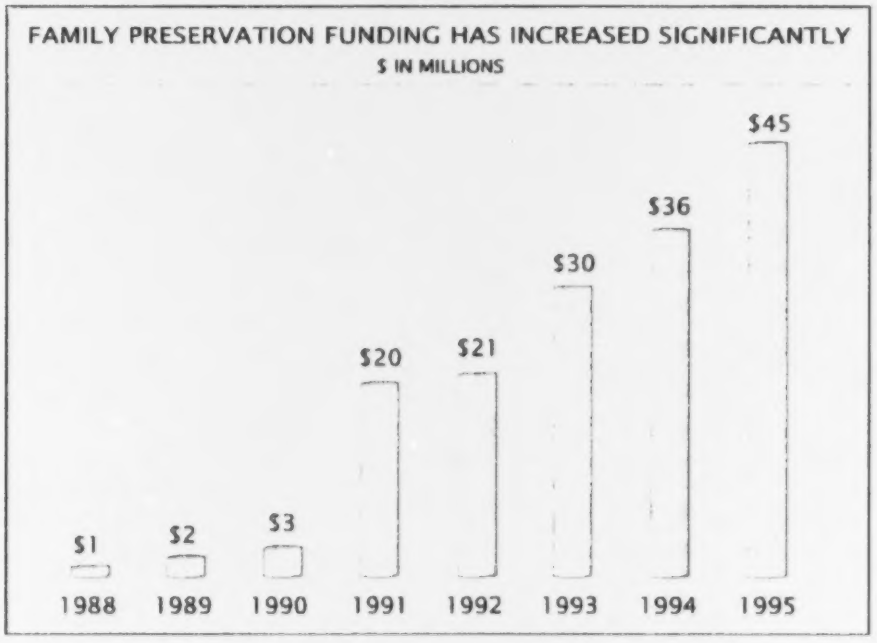
BACKGROUND

State reunification programs—programs to reunify children with their family—were first promoted by the Adoption Assistance and Child Welfare Act of 1980. The law required agencies to make "reasonable efforts" to return children to their biological relatives. Reasonable efforts must be made before the placement of a child in foster care.

Because the cost of institutional care is high and rising, fixing families instead of paying for high-priced foster care for children was one of the goals of the Act. Tragically, children are paying an even higher price with their lives. In amendments to the Omnibus Budget Reconciliation Act of 1993, the 103rd Congress created a new five-year entitlement program to broaden state "family preservation" and "family support" services.

In 1993, the federal government allocated $250 million for family preservation. Since then, family preservation funding has increased significantly, by millions. (See Table 11.)

TABLE 11



The Adoption and Safe Families Act (ASFA) of 1997 reauthorized and extended family preservation and family support services. In order for a state to be eligible for federal Title IV-B and IV-E funding, compliance with federal mandates is necessary.

ASFA still requires states to make reasonable efforts to reunify children with their families. If a parent has been convicted of murdering another child, or the child has been abused, states no longer have to make reasonable efforts. Child-welfare departments have interpreted making reasonable efforts, however, as making "every possible effort" to reunite children with their biological caretakers.

FROM A MEDICAL TO SOCIAL MODEL

Where did the concept of promoting state reunification programs originate? In the past, medical and psychiatric problems were the focus of academic literature and child-welfare interventions. Richard Gelles, the interim dean of the School of Social Work at the University of Pennsylvania, notes a shift from a medical model to a social model that focuses on poverty.

Now abusive and neglectful behavior is considered the result of insufficient resources, rather than a psychiatric disorder. As a consequence of the shift, child-welfare agencies have made providing social and economic assistance their major task. Unfortunately, other dangerous consequences accompany the new social model.

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THE REALITY IN CALIFORNIA

The family preservation philosophy gives parents repeated chances to keep their children. There is substantial evidence, however, that children are injured and killed when they are returned to abusive parents. For example, despite reports of abuse and neglect, 13 children died at the hands of their parents in Sacramento County. (See sidebar.)

LACK OF EVIDENCE

In addition to the terrible outcome of children being killed due to family preservation policies, there is no empirical evidence that such programs are effective. The Center for Child and Family Policy Studies issued a report that provided evidence that the family preservation services, sometimes viewed as a "miracle cure," made little difference in protecting endangered children or in averting foster care. Results that did appear to support family preservation programs did so only when the research was so deficient as to be "descriptive" in nature, the report said. The report went on to cite Peter Rossi who said that the alleged success of family preservation services has more to do with faith or "advocacy research" than science.

The center also criticized family preservation programs for their "one size fits all" approach, reliance on casework, and inability to target children in imminent need of placement. Family preservation programs rely on casework in spite of the fact that no empirical studies have found casework intervention to be effective. In addition, the standard programs lack flexibility, and there are situations in which foster care is the most appropriate response to abused and neglected children. Another major problem with family preservation is that there is no evidence that it targets the children most in need.

According to the *Results and Performance Accountability Implementation Guide*, family preservation programs have served the wrong families to create the appearance of success. For example, many of the studied programs did not focus on populations that had high rates of maltreatment. In addition, family preservation services had no effect on reducing the probability that a child would end up in foster care. The claims that family preservation programs had been successful were based on non-experimental studies.

In fact, the California Legislative Analyst's Office (LAO) assessed county agencies, and it concluded that both family reunification and family preservation efforts have failed. The California LAO also noted the increases in the percentage of children returning to child-welfare services. For example, 37 percent of the 1993 cases had been in the system on three or more separate occasions compared to 27 percent in 1985.

Other research indicates that 50 percent of children reunified with their families after foster care are placed out of the home again within 18 months. Evidence indicates that efforts to reunite children with their biological parents have been ineffective.

Placing the children with relatives also poses a problem since there is an intergenerational transmission of child maltreatment, estimated to be about 30 percent according to the American Journal of Orthopsychiatry. Therefore, relatives may be child maltreators themselves. According to Richard Gelles, "compared to children left with their caretakers who maltreat them, children placed into foster care, children who are adopted, and even children raised in orphanages generally do better."

Rather than listening to the hyperbole of program advocates, it is important to examine the facts that demonstrate the ineffectiveness of family preservation programs. Moreover, despite the reality that the ineffective child-welfare system has not improved measurably, significant resources have been added. Adding more resources to a failed system is imprudent. The safety of children is too important.

RECOMMENDATIONS

What is best for the child should be the central issue of child welfare. Richard Gelles points out that child welfare is tilted in favor of the parents' rights at the expense of the child's safety. The parent is almost always given the benefit of the doubt. In the current system, the parent is the client, and the parent's rights are primary. Gelles argues that the goal in child welfare is to balance parents' constitutional rights with the child's right to safety. There are several critical steps that can be taken to improve children's safety.

While child-welfare services continue to fail children, lawmakers nationwide should learn

WHEN FAMILY PRESERVATION TURNS DEADLY: EVIDENCE FROM SACRAMENTO COUNTY, CA

When hospital officials treated one toddler with a broken arm and burns, they filed a suspected child abuse report. Then county officials closed the case because no one answered the phone or came to the door. One month later the child was dead from a skull fracture.

A social worker visited the home of one child 19 times. When the child had a bruise on his forehead and "strap-like" lesions on his buttocks and thigh, a doctor reported that he had been physically abused. The child, however, was not removed from his home. The mother continued to abuse her child and simultaneously benefited from counseling services and an abundance of free bus passes, childcare, and parenting services. Child protective services (CPS) even sent free taxis to the mother's home, although she failed to use them. She failed her drug treatment program, yet CPS gave the benefit of the doubt to the mother. Six months later, she had beaten her child to death.

One little girl with overlapping bruises on her buttocks suffered from diarrhea and vomiting. The abuse report was found to be "unsubstantiated." An abuse report of more bruises on her buttocks and a bruise on her forehead two months later was found to be "information only." One of her siblings was hospitalized for "failure to thrive," and another sibling had a ruptured blood vessel in the eye and a bruise on the face. Still, nothing was done and two months later the little girl died from severe head trauma.

One mother warned CPS that she was stressed and might hurt her children. Shortly thereafter, one of her children was hospitalized and another was scalded with hot water. When social workers knocked on the family's door, there was no answer. On another visit, a social worker reported that the adults were incoherent and the smell of marijuana hung in the filthy house. The next report noted the death of a toddler.

A teenage mother gave birth to a drug-exposed baby. The baby vomited whenever fed due to drug withdrawal, but the mother never acknowledged her drug use. The baby's father stole a syringe from the hospital prompting a warrant for his arrest. The mother later ended up homeless. CPS concluded the risk to the child was "unknown due to no contact" and closed the case. The baby's father, whose warrant was outstanding, shook the child to death.

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the lessons of privatization. According to *Child Welfare Privatization: Reform Efforts in the States* by Julia K. Sells, a study published by the Pacific Research Institute in 2001, child-welfare privatization in states such as Kansas, Michigan, and Florida shows signs of success. Lawmakers should promote reform by:

- Allowing the private sector to create alternative care services;
- Giving private organizations greater freedom to devise more flexible and cost-effective methods of care, since families have different needs and require different solutions; and,
- Allowing more children to enter institutional care before they have been repeatedly abused and are troubled by a lack of permanency.

Increasing child-welfare funding will not protect children that are abused, neglected, and sometimes even killed in the system. Without fundamental reform and accountability, children will continue to pay the price of poorly designed family preservation policies. Now is the time to shun rhetoric and to carefully consider the evidence. If legislators have the best interests of children at heart, they should adopt common-sense reforms that will prevent tragic deaths like that of Danzel Bailey.

Laura A. Dykes is a policy fellow in the Pacific Research Institute's Center for Entrepreneurship; she is the author of several studies on health-care policy and a contributing author to The Vocal Majority: Women Speak Out on Today's Public Policy Issues *(PRI, 2002).*

12

ARE HOME-VISITATION PROGRAMS GOOD FOR CHILDREN?

By Stanley Watson

As the problems associated with the breakdown of the American family multiply, we have become more and more aware of the way that children often suffer as a result. In 1999, the latest year for which national data are available, there were 826,000 substantiated cases of child abuse or neglect in America according to the U.S. Department of Health and Human Services.

The good news is that this was the sixth straight yearly decline in substantiated reports since these reports hit an all time high of 1,018,692 in 1993. The perception that child abuse rates are increasing is fueled mainly by the fact that *reports* of child abuse have increased in recent years, even as investigations have substantiated a smaller and smaller number of these reports for six years running.

Nevertheless, the desire to "do something" to help suffering children is understandably strong on the part of policymakers. In this context, children's advocates have in recent years increasingly focused their efforts on promoting "home visitation" as the solution to the problem of child abuse in our society, as well as many other ills of the dysfunctional modern family. No less a figure than Senator Hillary Rodham Clinton has become an advocate for the concept. In her book, *It Takes a Village*, she discusses home-visitation programs and concludes by saying, "I cannot say enough in support of home visits."

The primary model for modern home visitation programs directed at preventing child abuse is the Healthy Families America (HFA) program developed by Prevent Child Abuse America (PCAA). This program was initiated in 1992 and has grown remarkably to become widespread across the country. According to PCAA the program is currently operating in more than 420 communities in 39 states.

Claiming that "for every dollar spent [on home visitation programs] 19 are saved," home visitation advocates in many states have persuaded policymakers that an "investment" in home visitation programs will pay for itself in the long run. With such arguments, PCAA has parleyed an initial $1 million grant from the Ronald McDonald House Charities into a nationwide program that in 1997 spent more than $90 million at the local level, 72 percent of which came from taxpayers. Advocates also present the program in the most warm and innocuous manner.

According to HFA materials, the program provides home visitors who "develop a trusting relationship with parents and help them to be more emotionally available to their child." Further, HFA home visitors provide support to parents in "overcoming challenges with housing, finances, social

isolation, substance abuse, domestic violence, and mental health," while focusing on "promoting the parent-child relationship and healthy child development."

It is hard to imagine anyone coming out against a program that is described in such a manner. Any policymaker, however, who is considering devoting taxpayer dollars to these programs needs to have a more complete picture of how these programs operate.

HFA materials repeatedly describe the program as "strictly voluntary." Policymakers need to understand how "voluntary" participation in the program on the part of young mothers is obtained.

HOW THE PROGRAM WORKS

The goal of HFA, according to one of its leading advocates, is to "bring universal home visitation services to *all* new parents eventually." In the short run, according to this advocate, the program is focusing on "those parents that are in the most difficult circumstances." In order to identify these parents, the program begins with a screening process in which HFA operatives obtain access to the medical records of new or expectant mothers and examine them for certain risk factors. These operatives are known as "assessment workers."

As described in one HFA document, "the assessment worker begins each day by checking with hospital admissions to find out who has delivered [a baby] over the last 24 hours." After obtaining the medical records on the new deliveries, the assessment worker will "review the medical record for information on 15 demographic and socio-economic factors such as marital status, family income, and history of emotional or psychological problems."

In some cases, hospitals and clinics actually allow the assessment worker to have direct access to patient records. In other cases, hospital staff initially screen patient records and then notify the assessment worker of those mothers who meet the criteria. This process raises serious privacy concerns about whether patients "voluntarily" consent to this examination of their medical records by HFA operatives.

If the mother meets the "at risk" criteria, the assessment worker will visit her in the hospital or sometimes at home in order to administer the Kempe Family Stress Checklist. This is a questionnaire that asks deep and probing open-ended questions in order to measure 10 risk factors said to be associated with a propensity toward child abuse.

After examining the patient's medical records and eliciting personal information, HFA recommends home visitors for mothers who are determined to be "high risk." The assessment worker discusses the family's needs as these have been revealed through the assessment process and offers home-visitation services as the solution to these needs.

As the process was described in one Florida newspaper account, the assessment worker is "part salesperson, part recruiter." Her job is to "sell Healthy Families."

"Although preventing child abuse is the program's mission," said the Orlando Sentinel, "the word 'abuse' never crosses [the assessment worker's] lips." Rather, "she extends an olive branch: Need bottles, breast pumps, things like that when you get home? Such helpfulness is a door-opener." By playing on the family's needs and offering free items to the needy family, HFA programs achieve a high acceptance rate, as high as 90 percent in some locations.

Still, there are many families that refuse home visitation services. But their involvement with the HFA program will generally not end with a single refusal in the hospital. HFA materials recommend that "persistent outreach efforts should be extended" to those families who do not "immediately recognize the benefits of home visiting services."

Generally, targeted families will be contacted at home several more times by phone or in person if they initially refuse the program in the hospital. What is referred to as "creative outreach" generally continues over a period of about three months. During this period, HFA staff tries to entice or cajole reluctant families into the program. These efforts usually include visits to the home, baby gifts, and the repeated offer of service.

According to HFA materials, a case is only to be closed "if parent(s) continues to refuse services for two to four months." Clearly, it takes several refusals before a targeted mother can expect contacts from HFA staff to end.

Those families who agree to the program are assigned a home visitor called a "family support worker." This person is usually a "paraprofessional" or trained volunteer who may have a few weeks or only a few days of specialized training. The majority of HFA home visitors are not even college graduates, according to a recent article in the journal *The Future of Children.*

The basic functions of the home visitor are to teach "positive" parenting skills, to help the family establish a "medical home," and to enroll the family in any social service programs for which they are eligible. Finally, according to HFA materials, "the home visitor is a monitor."

As part of this monitoring function, HFA materials describe a "collaborative relationship" between the home visitor and the local child protective services agency. This relationship involves "regular consultation sessions to review 'high risk' cases in a team setting." This is so the home visitor will be able to take "appropriate actions . . . when abuse or neglect or imminent harm are suspected." Whether participating families fully understand this monitoring function when they consent to the program is open to question.

HFA programs also collect a great deal of data on each family. Records are maintained on such issues as how well the family adapts to the home visitor's teaching and how it scores on various psychological tests and questionnaires. PCAA is developing a computer database that will ultimately contain the data on every family that participates in the program, including the results of the screenings and assessments conducted on families who refuse the program.

CONCERNS ABOUT HOME VISITATION PROGRAMS

Careful examination of the actual practices of HFA and other home visitation programs raises several concerns. These can be summarized as follows:

- Privacy issues. There are legitimate concerns as to whether proper safeguards are in place to ensure that the privacy of families and the confidentiality of medical records are being properly protected in home-visitation programs.
- Voluntary and informed consent. There are serious concerns as to whether mothers who are enrolled in the program are given full and complete information as to the nature of the program, and whether they are given an appropriate opportunity to consider the offer of enrollment before it is accepted.
- The nature of the teaching. All Americans do not necessarily share PCAA's philosophy of parenting. For example, PCAA materials clearly state that the organization is committed not only to the elimination of child abuse, but also to the complete "elimination of physical punishment of children." Survey data suggest that most parents do not consider all physical punishment to be abusive, nor do they support the goal of eliminating the use of corporal punishment by parents. There are legitimate questions as to whether the government should officially endorse PCAA's philosophy of parenting as the one that should be taught to all new parents.
- The duplicitous role of the home visitor. There are legitimate concerns about the fact that home visitors, who represent themselves as "helpers," are also responsible for "determining the safety of the home" and making reports to authorities if "abuse or neglect or imminent harm are suspected." Constitutional concerns arise when government-sponsored agents are effectively engaged in a "search" of a private home for possible criminal activity under false pretenses and without probable cause.
- Collection and use of client data. There are questions as to whether mothers enrolled in the program are fully informed as to how personal data collected on them might be used by HFA programs. Questions also arise as to whether full consent is obtained before this data is transferred to other persons or entities.

DOES IT WORK?

Advocates for home visitation programs would surely argue that these concerns are minor in comparison with the overriding goal of preventing the tragedy of child abuse and neglect. PCAA materials repeatedly claim that "research has consistently documented impressive outcomes for families enrolled in home visitor programs." And, of course, if the program works, why quibble over such concerns as those listed above.

Unfortunately, the research on HFA programs has been anything but "consistent" in finding "impressive" outcomes. The most consistent finding actually seems to be fundamental failure.

Six control-group studies have been completed on HFA programs in operation. Five of the six studies failed to demonstrate conclusively a reduction in child-abuse rates or child-abuse potential in the target population of first-time mothers. The sixth study used a method of calculating child-abuse rates that was seriously flawed, making its findings ultimately inconclusive.

The pattern of the research findings is especially disturbing: the more well constructed and scientifically rigorous the study, the more likely the study is to find failure. Three of the control-group studies were randomized trials, the most scientifically rigorous and reliable. Even Deborah Daro and Kathryn Harding, the former and current research directors for PCAA, respectively, acknowledged the truth about these studies in a recent article in *The Future of Children*.

They wrote, "[N]one of the three randomized trials . . . reported a significant difference between the number of treatment and control group families involved in confirmed [child abuse or neglect] reports." But the truth is even worse than Daro and Harding let on.

In two of these studies, the percentage of families confirmed for abuse was actually higher among those receiving a home visitor than it was in the control group. One of the randomized trials also administered a questionnaire that was designed to determine whether the program had any effect on child abuse potential. According to the report on this study, this questionnaire "did not demonstrate a reduction of risk for child abuse in the participants in the intervention."

The most recent and probably well constructed of the randomized trials was focused on Hawaii's Healthy Start program. In addition to checking child-abuse report rates and finding no significant improvement, this study also used a questionnaire that asked mothers whether they had engaged in certain abusive behaviors over the past year. The study found that, after two years, virtually the same percentage of mothers in both the treatment and control groups admitted committing a "severe physical assault" against their child.

Mothers who received home visits were found to have committed "minor physical assaults" against their child more frequently after two years in the program than had mothers in the control group. The difference between the two groups was not statistically significant on this measure, but it clearly shows that the program was a complete failure in producing a reduction in "physical assaults" on children. The best that could be said is that the program had no effect on child abuse.

Because reducing child abuse is the justification for these programs, a failure on this score is a failure for the whole concept. But the failure is even more comprehensive: these programs don't even have much success in improving other indicators of child welfare.

For example, home visitation has no apparent impact on the cognitive development in children. Daro and Harding acknowledge: "Randomized studies that investigated child development found no significant difference between treatment and control group children in terms of their cognitive

development, suggesting that home visitation efforts may not have a unique impact on children's developmental trajectories."

Another summary of recent research on home visitation written by researchers sympathetic to the concept acknowledges that in the area of child health indicators, the studies "revealed few health-related benefits for children from home visiting programs." Summarizing the results of these programs in all the areas where they attempt to have an impact (child abuse and neglect, cognitive development, child health and welfare, parent-child interaction, and even maternal life course) these researchers conclude that the results of the studies "are a tale of improvements as exceptions rather than the rule." This lack of positive results is "a fairly accurate reflection of what can be expected from . . . home visiting programs."

To some extent, the failure of these programs can be attributed to the reality that education alone does not change behavior. Even if small behavioral changes result, they usually diminish quickly over time. Sometimes programs appear to show success because insecure and vulnerable mothers, eager to please the home visitor, will say the "right" things in response to questions. When the visitor is no longer present to reinforce the preferred behavior, however, the mother reverts to her usual practices.

Materials distributed to policymakers by PCAA and other advocates of home visitation do not contain this information. Rather, they simply repeat the claim that the program is "based on over two decades of research" without explaining how disappointing the research findings have been.

A GOOD INVESTMENT?

As noted at the outset, home-visitation advocates claim that for every dollar spent on home visitation-programs, 19 dollars are saved. This figure was arrived at by estimating the cost of implementing the program in one state and dividing that number into the estimated annual costs resulting from child maltreatment in that state. Of course, the program will only result in these alleged savings if it is actually effective at reducing rates of child maltreatment.

The scientific research on home-visitation programs does not give us any reason to expect that they will result in an overall reduction of child maltreatment. A close examination of these programs raises serious concerns about their modes of operation and the propriety of government endorsing their approach. As such, it is difficult to think of any good reason for devoting taxpayer money to these programs.

Home visitation might offer some feeling of satisfaction that government has "done something" to prevent child abuse, but their own scientific evaluations show that these programs fail. The hard-earned money of taxpayers should not be spent on symbolic gestures. And it is clear that these programs offer little beyond sentiment to justify their continued funding.

Legislators and policymakers acting in the best interests of children should reject intrusive home-visitation programs and instead focus on measures that strengthen families. These measures include rewarding people for keeping their family together, eliminating the marriage penalty in the tax code, reducing income taxes, promoting parental choice in education, and reducing government intrusiveness in general.

Stanley Watson, Ph.D., is an assistant professor of government at Patrick Henry College in Purcellville, Virginia, and is co-director of the Patrick Henry College Institute for Public Policy. Before joining the faculty at Patrick Henry, he served for four years as the director of research at the Alabama Policy Institute in Birmingham, Alabama.

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TAXING TIMES FOR AMERICAN FAMILIES

By Lawrence J. McQuillan, Ph.D.

THE GREEDY HAND

Amity Shlaes, author and journalist, has observed that western nations "find the greedy hand of government thrusting itself into every corner and crevice of industry, and grasping the spoil of the multitude." These words are as true today as when written by Thomas Paine in 1792. Today Mr. Paine would find the greedy hand thrust deep into the pockets of American families.

A 2000 study by the Tax Foundation, a Washington, D.C., think tank, found that the tax burden on a median two-income family earning $68,605 per year was $26,758, or 39 percent of a family's total annual income.[1] Federal taxes totaled $17,762, or 26 percent, and state and local taxes equaled $8,996, or 13 percent. A typical American family now pays more each year in taxes than it spends on food, clothing, housing, and transportation combined. This tax burden, the heaviest in U.S. history, reflects a long-term trend.

In 1900, total taxes as a percentage of total income were only 5.9 percent. By 1950, this figure had climbed to 24.4 percent. Today it is a staggering 33.8 percent.[2] The increased tax burden has crowded out savings in the family budget. Whereas in 1958 the typical family saved 6.5 percent of its income each year, now it saves a paltry 0.4 percent.

Tax Freedom Day is another striking illustration of the increasing tax burden. What if everyone in the country spent every penny that they earned on taxes starting on January 1 of each year? How long would we have to work until we could keep a penny for ourselves? In 1900, Americans worked until January 21 to pay all their taxes. In 1950, Americans celebrated Tax Freedom Day on March 30. In 2001, however, they had to work until May 3, the latest Tax Freedom Day ever.[3] The typical taxpayer has had to work two additional weeks just since 1992 to pay his or her federal tax bill.

The total tax burden on the American public also includes the cost of complying with state and federal tax laws, which are absurdly complex due to years of political manipulation and social engineering. Compliance costs include tax preparation fees and the opportunity cost of time spent by people preparing their own returns. The time spent collecting and organizing tax-related paperwork and completing tax forms could have been better spent on producing goods and services, completing household tasks, or spending time with friends and family. The U.S. Internal Revenue Service (IRS) calculates that it takes a typical taxpayer more than 27 hours to prepare his or her Form 1040 tax return and common schedules.[4] Individuals and businesses devoted 4.6 billion hours on federal income tax paperwork alone in 2001, the equivalent of a workforce of more

than 2.2 million people—more than the number of workers in the auto, computer-manufacturing, airplane-manufacturing, and steel industries combined.[5]

All told, the cost of complying with the 2000 federal income tax code alone was $140 billion. This amount exceeds the combined revenue of Sears, Walt Disney, Microsoft, Rite Aid, McDonalds, 3 Com, and Radio Shack. If these compliance costs had been included in the 2001 Tax Freedom Day calculations, they would have pushed the date forward six days. Of course, a complete accounting of the total tax burden must also include state and local compliance costs as well as indirect costs: deadweight losses, lobbying costs (what economists call rent-seeking and rent-avoidance costs), and litigation expenses.

The greedy hand of government is strangling the American family and smothering the entrepreneurial spirit. It is not surprising, therefore, that the most recent Gallup polls find that 63 percent of the American public considers their federal income taxes to be too high, 74 percent favor a cut, and 21 percent list the cost of living as the biggest daily challenge that they face—children came in a distant second at 11 percent.

THE LEGISLATIVE RESPONSE TO THE INCREASING TAX BURDEN: MORE TINKERING

The purpose of taxation is to finance constitutionally prescribed government services. In a free society, taxes should influence private-sector decisions as little as possible. Today, however, taxes influence every major family decision—from when and where to buy the family car and home, to which job to accept, to how much money to save for the children's education or the parents' retirement, to whether they can obtain health insurance. Assessing tax implications is a way of life in the United States, and it has created a multibillion-dollar tax consulting industry.

One need only look at the federal tax law to understand why. When the federal income tax was established in 1913, its provisions were described in 408 pages. Now the *Standard Federal Tax Reporter*—the basic publication defining the federal income tax law—takes up 98,408 pages in 25 volumes. On average, it grows by 50 pages every week.

There are now 650 IRS forms and instructions, and even the IRS doesn't understand the tax law. A 2001 investigation by the U.S. Treasury Inspector General found that the IRS's web site answered only 45 percent of 50 tax questions correctly. In 1997 and 2001, the federal government responded to the increasing tax burden on American families by, once again, tinkering with the tax code.

The Taxpayer Relief Act of 1997 reduced federal income taxes on the median family such that federal income taxes as a percentage of total income were about the same in 1998 as they were in 1955. The median family's tax savings were primarily attributable to new tax credits—the Per Child Tax Credit and the HOPE and Lifetime Learning Education Tax Credits.[6]

The Economic Growth and Tax Relief Reconciliation Act of 2001 provides additional tax savings for some American families, although the exact amount is impossible to determine at this early

date. The new law cuts federal income tax rates, increases IRA contribution limits, reduces estate taxes and eliminates them for one year (2010), provides relief for the marriage penalty, allows college-tuition and student-loan-interest tax deductions, provides an adoption tax credit, and increases the child tax credit.

These targeted tax benefits will provide tax relief for some families, but not as much relief as many people claim. After including initial lobbying costs, compliance costs, and future costs to defend these special benefits from legislative repeal, actual savings will gradually disappear. Compliance costs alone will be enormous considering the 2001 law encompasses 441 tax-law changes. There are now five different definitions of a child in the tax code, and it requires reading 200 pages of IRS publications to answer the simple question: Do I have a child?

All of these 1997 and 2001 tax-law changes can also be undone by future congresses—one year's beneficiary is often next year's victim. Beneficiaries must constantly lobby Congress to keep their tax breaks, yet Congress has undertaken a major revision of the tax law every 17 months, on average, since the 1954 Internal Revenue Act. There is no permanence to the tax code.

Tax credits, an increasingly popular tool of lawmakers, can also have the perverse effect of increasing tax rates. Tax credits reduce government revenue for a given set of tax rates; therefore, lawmakers might increase tax rates to offset the lost revenue, resulting in no net benefit for taxpayers.

The current tax system encourages political manipulation, wasteful lobbying, and lavish campaign contributions. It keeps politicians and tax accountants employed at the expense of greater economic growth and individual liberty. Apparently, a large segment of the American public sees the folly in the current system.

Seventy three percent agree that the federal tax system needs to be overhauled or major changes made. Forty-six percent favor passing a bill to replace the current federal income tax system with an entirely new system—only one percent favors the status quo. What would a tax code for a free society look like?

A TAX CODE FOR A FREE SOCIETY

The best response to the public's desire for a new, simplified tax system is a flat rate, personal consumed-income tax. How would this system work? Governments would tax at a single rate the difference between a person's annual income and their annual net savings; in other words, governments would tax the portion of each person's annual income that is consumed. What are the advantages of this system?

- **Incentives:** Governments do not tax people, rather they tax activities by people. A consumed-income tax would tax the act of consumption, not the acts of production or saving. It would tax according to what people take from society, not according to what they contribute to society.

- **Permanence:** The single tax rate should be specified in the U.S. Constitution and in the respective state constitutions—these are the fundamental compacts between the people and their governments. Embedding the tax rate in a constitution hinders attempts to ratchet up the tax rate one-percentage point at a time. Why? If the single, federal tax rate could be increased by a simple majority vote in the House and in the Senate, the public's benefit from fighting the increase (the forgone tax liability) would be so low relative to the lobbying costs of successfully fighting the increase that the public would not defeat such incremental increases. In time, the public would face confiscatory tax rates. The supramajority required for constitutional amendments, however, makes a flat rate that is embedded in a constitution more insulated from the day-to-day political tides, yet still changeable when absolutely necessary.
- **Property Rights:** A consumed-income tax rests on the moral principle that each person owns his or her income; in other words, income is private property until it is voluntarily given to the government through consumption. People would decide for themselves how much money they are willing to pay in taxes by adjusting their level of consumption. Individuals would decide how much of their money is transferred to the government, rather than the current system where the government decides how much of your money you get to keep.
- **Fairness:** The flat tax rate would eliminate the class warfare and bracket creep that results from progressive marginal taxation, which John Stuart Mill called "a mild form of robbery." A truly flat rate would also trash the elitist, social engineering concept that individuals should receive tax deductions or tax credits when they spend their money the way the government wants them to. With a truly flat rate, everyone is treated equally under the law—one measure of a just society according to Martin Luther King, Jr.
- **Cost:** Compliance, administrative, and litigation costs would be miniscule compared to today's costs. Taxes could be calculated in minutes using information that is already collected by employers and financial institutions.

A flat rate, personal consumed-income tax conforms to three major principles of taxation: simplicity, neutrality, and equity. Taxpayers would understand the tax code and would be able to reliably calculate and control their tax liabilities. The tax code would not favor privileged groups, regions, or industries; everyone would be treated equally. Taxpayers would pay for government services based on how much of society's resources that they freely consume. What should be the flat rate of taxation? This question gets to the role of government in a free society. The greater the role of government, the more revenue that it must extract through taxation from the private sector.

The September 11 terrorist attacks demonstrate that when government does what it shouldn't, it fails to do what it must. If the federal government performed only its constitutionally assigned tasks in the areas of national security, foreign policy, and federal criminal justice, the flat tax rate on

personal consumed income would be a low 4.1 percent. This number is the result of adding up the total amount spent in 2000 on national defense, international affairs, and the administration of justice (the responsibilities of the departments of Defense, State, Justice, Treasury, and the federal judiciary), $340 billion, and dividing it by personal consumed income, $8,252 billion.[7]

If the federal government returned to the role envisioned by our founding fathers, then the share of total taxes would approach the 5.9 percent of total income that existed in 1900, rather than the oppressive 33.8 percent that exists today. A median two-income family would save nearly $15,000 per year in federal taxes alone, not including compliance and other cost savings. American families would then be better able to afford high-quality education for their children, better health care for family members, effective assistance for those in need, and a comfortable retirement in old age—all the other extraconstitutional activities that the federal government now performs so poorly.

Lawrence J. McQuillan, Ph.D. is director of the Pacific Research Institute's Center for Entrepreneurship. He was formerly a research fellow at the Hoover Institution and is the author of several publications, including The Case Against the International Monetary Fund.

Notes

1 Claire Hintz, *The Tax Burden of the Median American Family*, Tax Foundation Special Reports, No. 96 (Washington, D.C.: Tax Foundation, March 2000).

2 See http://www.taxfoundation.org/prtfdhistory.html.

3 See http://www.taxfoundation.org/prtfdhistory.html.

4 David L. Keating, *A Taxing Trend: The Rise in Complexity, Forms, and Paperwork Burdens*, National Taxpayers Union Policy Paper, No. 105 (Alexandria, Virginia: National Taxpayers Union, April 11, 2001).

5 Testimony on July 17, 2001, by J. Scott Moody, senior economist with the Tax Foundation, before the Oversight Subcommittee of the U.S. House Ways and Means Committee. See http://www.taxfoundation.org/pr-compliancetestimony.html.

6 Claire Hintz, *The Tax Burden of the Median American Family*, Tax Foundation Special Reports, No. 96 (Washington, D.C.: Tax Foundation, March 2000).

7 This rough estimate of the flat tax rate assumes a post-privatized social-security economy after all commitments to current program participants have been honored.

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14

THE CHILDREN'S BURDEN: GENERATIONAL ACCOUNTING

By Laurence Kotlikoff

Today's children are, in effect, born into debt. Before they have ever worked a day, they face the burden of paying the bills for government services enjoyed by those in previous generations. This reality requires that policymakers engage in generational accounting, a process that focuses on one simple question: How large is the burden foisted on future generations to pay for government bills?

This question is of particular relevance today as close to 80 million baby boomers start to retire. When they reach that destination, they will double the number of elderly, while the number of workers will have risen by only 15 percent.

Calculating the size of the tax bill facing our children is not a simple exercise. It requires bringing together voluminous data and making demographic and other projections. But the basic idea behind generational accounting is easy to understand. Generational accounting measures the size of the government's bills, figures out how much of these bills currently living generations will pay, and subtracts the latter number from the former to determine the bills left over for future generations to pay. All these amounts—the bills, the payments of current generations, and the collective burden on future generations—are assessed in what economists call *present values.*[1]

The starting point of generational accounting is measuring the present value of all future net taxes (taxes paid net of benefits received) for each generation now alive. These amounts are called generational accounts. The sum of the generational accounts of all members of all living generations tells us how much those now alive will pay toward the *government's bills.*

So what are the government's bills? They are the sum of a) the present value of all of the government's future purchases of goods and services, and b) the government's official net debt (its official financial liabilities minus its official financial assets, including the value of its public-sector enterprises).

If we let B stand for the sum of all the generational accounts of current generations, C stand for government purchases, and D stand for the government's net debt, we have A = C + D – B, where A stands for the burden on future generations. This equation is what economists call the *government's intertemporal budget constraint.* It tells us that bills (C+D) not paid by current generations (B) must be paid by future generations (A). This is the "no free lunch" nature of our fiscal reality.

ASSESSING THE IMBALANCE IN GENERATIONAL POLICY

Once we have calculated the burden, A, that future generations will bear, we can divide it by the labor income those generations are projected to earn. What results is a lifetime net tax rate. This lifetime net tax rate facing future generations can then be compared with those facing current generations. If future generations face much higher lifetime net tax rates than do current generations, current policy is generationally imbalanced. The precise size of the percentage income-tax hike needed to achieve generational balance is found when the growth adjusted generational accounts of future generations equal those of newborns.

The only meaningful fiscal analysis entails looking at all the government's programs simultaneously and assessing overall intertemporal and generational fiscal balance, which is precisely what generational accounting does.

U.S. GENERATIONAL ACCOUNTS

Table 12 reports a new set of generational accounts that take into account the 2001 tax cut and that assume that federal discretionary spending grows with the economy. The accounts were constructed using a four-percent real discount rate and assuming a 2.2-percent rate of growth in labor productivity. This discount rate is roughly the current prevailing rate on long-term, inflation-indexed U.S. government bonds. The productivity growth rate, while rather high relative to the past quarter century's experience, is the one currently projected by the Congressional Budget Office (CBO). The accounts are for 2000. They incorporate the CBO's latest short- and long-term projections as well as the Joint Committee on Taxation's estimates of the implications of the tax cut.

Table 12 shows, for males and females, respectively, the level and composition of the accounts. Recall that the accounts are present values, in this case, to 2000. As an example, consider the $321,800 account of 25-year-old males in 2000. This amount represents the present value of the net tax payments that 25-year-old males will pay, on average, over the remainder of their lives. This figure is an average. It takes into account the fact that some members of this cohort will pay more and others will pay less in net taxes. It is also an actuarial average in that it takes into account that some cohort members will die earlier than others.

TABLE 12

THE COMPOSITION OF MALE GENERATIONAL ACCOUNTS
(PRESENT VALUES IN THOUSANDS OF 2000 DOLLARS)

		Tax Payments				Transfer Receipts			
Age in 2000	Net Tax Payment	Labor Income Taxes	Capital Income Taxes	Payroll Taxes	Excise Taxes	OASDI	MCARE	MCAID	Welfare
0	225.0	129.1	53.5	100.1	93.4	41.1	24.0	77.9	8.0
5	240.7	142.1	59.0	110.3	99.8	44.5	38.7	78.4	8.8
10	258.1	155.2	64.7	120.7	105.1	48.1	51.8	78.0	9.7
15	287.9	171.4	72.2	133.6	110.9	52.9	58.7	77.8	10.7
20	312.3	183.1	80.3	142.3	112.9	56.8	62.7	75.4	11.4
25	321.8	184.4	88.3	141.8	109.8	61.9	59.3	69.7	11.6
30	305.3	176.1	96.4	133.3	103.6	66.5	64.1	62.4	11.0
35	278.8	162.3	106.1	120.5	97.4	72.9	68.8	55.9	10.0
40	240.1	142.2	115.7	103.7	91.1	81.2	73.0	49.8	8.6
45	191.1	116.6	122.9	83.5	82.9	91.2	72.8	43.9	7.0
50	128.8	87.6	125.7	61.8	72.3	102.9	72.8	37.6	5.3
55	63.1	58.9	122.8	41.0	61.8	117.2	68.9	31.6	3.6
60	-9.0	33.9	113.7	23.4	51.2	133.9	69.1	26.0	2.2
65	-71.4	15.6	99.4	10.8	40.9	142.9	72.9	20.9	1.2
70	-80.1	4.9	81.6	3.4	31.2	125.2	58.1	17.4	0.6
75	-72.2	0.7	62.1	0.5	22.8	102.7	40.4	14.7	0.4
80	-56.7	0.0	43.4	0.0	15.8	82.0	22.2	11.3	0.3
85	-40.2	0.0	28.3	0.0	10.9	59.6	10.3	9.3	0.2
90	-25.2	0.0	19.0	0.0	8.4	42.0	3.5	6.9	0.2

Future Generations	466.0
Lifetime Net Tax Rate on Future Generations	35.81
Lifetime Net Tax Rate on Current Newborns	17.68
Generational Imbalance	102.52 percent = [(35.81-17.68)/17.58]

Source: Calculations by Laurence J. Kotlikoff and Jagadeesh Gokhale

TABLE 12A

THE COMPOSITION OF FEMALE GENERATIONAL ACCOUNTS
(PRESENT VALUES IN THOUSANDS OF 2000 DOLLARS)

		Tax Payments				Transfer Receipts			
Age in 2000	Net Tax Payment	Labor Income Taxes	Capital Income Taxes	Payroll Taxes	Excise Taxes	OASDI	MCARE	MCAID	Welfare
0	87.9	70.1	19.1	61.1	89.8	38.7	25.0	61.4	27.1
5	85.5	77.2	21.0	67.2	95.7	42.0	41.6	62.2	29.8
10	83.4	84.4	23.1	73.7	100.6	45.5	57.6	62.5	32.7
15	88.0	93.3	25.8	81.7	105.5	50.2	67.9	63.2	37.0
20	91.5	98.9	28.6	86.3	106.8	54.0	75.2	61.7	38.1
25	93.0	97.4	31.3	84.5	104.0	58.8	73.5	59.2	32.7
30	77.6	90.1	34.1	77.9	98.4	62.6	79.9	55.3	25.0
35	57.4	80.5	37.7	69.5	93.2	67.9	85.4	52.0	18.2
40	28.5	68.4	41.0	59.0	87.0	74.7	90.7	49.0	12.5
45	-4.7	54.3	43.2	46.9	79.6	83.4	90.9	46.2	8.3
50	-43.1	39.4	43.8	34.0	70.8	93.6	91.1	40.9	5.3
55	-81.9	25.2	42.6	21.7	60.6	106.3	86.4	35.9	3.5
60	-126.2	13.5	39.6	11.6	50.4	121.2	86.7	31.0	2.4
65	-162.6	5.4	35.2	4.6	40.3	128.3	91.5	26.5	1.7
70	-155.0	1.2	29.9	0.9	31.3	115.5	78.3	23.3	1.2
75	-134.6	0.0	24.0	0.0	23.2	98.4	61.7	20.8	0.8
80	-101.8	0.0	18.2	0.0	16.6	79.9	39.3	16.9	0.5
85	-72.3	0.0	12.9	0.0	12.1	59.6	22.8	14.6	0.4
90	-47.5	0.0	8.8	0.0	9.1	44.5	10.1	10.4	0.3

Future Females Growth-Adjusted Generational Account	181.9

Source: Calculations by Laurence J. Kotlikoff and Jagadeesh Gokhale

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Note that the generational accounts for both males and females peak at age 25 and become negative for females at age 50 and for males at age 60. The accounts for those younger than age 25 are smaller because they have a longer time to wait to reach their peak tax-paying years. The accounts are also smaller for those above age 25 because they are closer in time to receiving the bulk of their transfer payments (benefits). By age 10 for males and age 30 for females, Medicare and Social Security benefits are the two most important forms of transfer payments, if one uses the government's fiscal taxonomy. The relative size of Medicare transfers compared to Social Security transfers is also interesting. For 65-year-olds, the present value of Medicare benefits represent more than half of the corresponding present value of Social Security benefits.

The only figures in this table that aren't a function of classification conventions are the lifetime net tax rate of future generations and of newborns. The denominator in these tax rates is the present value of lifetime earnings. They are constructed by pooling the net tax payments and labor earnings of males and females. In the case of future generations, the present value to 2000 of all future net taxes of all future generations is divided by the present value to 2000 of the labor earnings of all future generations.

THE IMBALANCE IN U.S. GENERATIONAL POLICY

For newborns the lifetime net tax rate is 17.68 percent. For future generations it is more than twice as large—35.81 percent. Stated differently, future generations, according to current policy, are being asked to pay 18.13 cents more per dollar earned than are current newborns. In thinking about the magnitude of the U.S. generational imbalance, it's important to keep in mind that the lifetime net tax rate facing future generations under current policy assumes that *all* future generations pay this rate. If, instead, one were to assume that generations born, say, over the next decade are treated the same as current newborns, the net tax rate for generations born in 2010 and beyond would be higher than 35.81 percent.

DIGGING A DEEPER HOLE–THE IMPACT OF THE 2001 TAX CUT

Table 13 repeats Table 12, but assumes that the 2001 tax cut was not enacted. In this case, the lifetime net tax rates are 18.65 percent and 34.69 percent for newborn and future generations, respectively. The percentage difference in this case is 86 percent, compared with 102.5 percent with the tax cut. Hence, the Bush tax cut worsened the generational imbalance by about one fifth at a time when it was already substantial.

TABLE 13

THE COMPOSITION OF MALE GENERATIONAL ACCOUNTS ABSENT THE 2001 TAX CUT
(PRESENT VALUES IN THOUSANDS OF 2000 DOLLARS)

		Tax Payments				Transfer Receipts			
Age in 2000	Net Tax Payment	Labor Income Taxes	Capital Income Taxes	Payroll Taxes	Excise Taxes	OASDI	MCARE	MCAID	Welfare
0	236.6	138.2	55.8	100.1	93.4	41.1	24	77.9	8
5	253.3	152.2	61.5	110.3	99.8	44.5	38.7	78.4	8.8
10	272.2	166.5	67.5	120.7	105.1	48.1	51.8	78	9.7
15	303.8	184.2	75.3	133.6	110.9	52.9	58.7	77.8	10.7
20	329.3	196.7	83.7	142.3	112.9	56.8	62.7	75.4	11.4
25	339.3	198.1	92.1	141.8	109.8	61.9	59.3	69.7	11.6
30	322.5	189.2	100.5	133.3	103.6	66.5	64.1	62.4	11
35	295.3	174.3	110.6	120.5	97.4	72.9	68.8	55.9	10
40	255.3	152.7	120.4	103.7	91.1	81.2	73	49.8	8.6
45	204.4	125	127.8	83.5	82.9	91.2	72.8	43.9	7
50	139.6	93.7	130.4	61.8	72.3	102.9	72.8	37.6	5.3
55	71.3	62.7	127.1	41	61.8	117.2	68.9	31.6	3.6
60	-3.2	36	117.4	23.4	51.2	133.9	69.1	26	2.2
65	-67.6	16.4	102.4	10.8	40.9	142.9	72.9	20.9	1.2
70	-77.8	5.1	83.8	3.4	31.2	125.2	58.1	17.4	0.6
75	-70.8	0.7	63.5	0.5	22.8	102.7	40.4	14.7	0.4
80	-55.8	0	44.2	0	15.8	82	22.2	11.3	0.3
85	-39.7	0	28.7	0	10.9	59.6	10.3	9.3	0.2
90	-24.9	0	19.2	0	8.4	42	3.5	6.9	0.2

Future Males Growth-Adjusted Generational Account 449.8

Lifetime Net Tax Rate on Future Generations 34.69
Lifetime Net Tax Rate on Current Generations 18.65
Generational Imbalance 86.02 = [(34.69-18.65)/18.65]

Source: Calculations by Laurence J. Kotlikoff and Jagadeesh Gokhale

TABLE 13A

THE COMPOSITION OF FEMALE GENERATIONAL ACCOUNTS ABSENT THE 2001 TAX CUT
(PRESENT VALUES IN THOUSANDS OF 2000 DOLLARS)

		Tax Payments				Transfer Receipts			
Age in 2000	Net Tax Payment	Labor Income Taxes	Capital Income Taxes	Payroll Taxes	Excise Taxes	OASDI	MCARE	MCAID	Welfare
0	93.7	75.1	19.9	61.1	89.8	38.7	25.0	61.4	27.1
5	91.9	82.7	21.9	67.2	95.7	42.0	41.6	62.2	29.8
10	90.6	90.6	24.1	73.7	100.6	45.5	57.6	62.5	32.7
15	96.1	100.4	26.9	81.7	105.5	50.2	67.9	63.2	37.0
20	100.1	106.3	29.8	86.3	106.8	54.0	75.2	61.7	38.1
25	101.5	104.6	32.6	84.5	104.0	58.8	73.5	59.2	32.7
30	85.8	96.8	35.5	77.9	98.4	62.6	79.9	55.3	25.0
35	64.9	86.5	39.3	69.5	93.2	67.9	85.4	52.0	18.2
40	35.2	73.5	42.7	59.0	87.0	74.7	90.7	49.0	12.5
45	0.9	58.2	44.9	0.9	79.6	83.4	90.9	46.2	8.3
50	-38.7	42.1	45.4	34.0	70.8	93.6	91.1	40.9	5.3
55	-78.7	26.9	44.1	21.7	60.6	106.3	86.4	35.9	3.5
60	-124.0	14.3	41.0	11.6	50.4	121.2	86.7	31.0	2.4
65	-161.2	5.7	36.4	4.6	40.3	128.3	91.5	26.5	1.7
70	-154.1	1.2	30.8	0.9	31.3	115.5	78.3	23.3	1.2
75	-133.9	0.0	24.7	0.0	23.2	98.4	61.7	20.8	0.8
80	-101.4	0.0	18.6	0.0	16.6	79.9	39.3	16.9	0.5
85	-72.1	0.0	13.2	0.0	12.1	59.6	22.8	14.6	0.4
90	-47.3	0.0	8.9	0.0	9.1	44.5	10.1	10.4	0.3

Future Females Growth-Adjusted Generational Account 178.1

Source: Calculations by Laurence J. Kotlikoff and Jagadeesh Gokhale

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POLICIES TO ACHIEVE GENERATIONAL BALANCE

Our nation has one overall generational policy, and saying that one part of the fiscal system is generationally imbalanced and the other is not is an exercise in semantics. While we can't apportion blame to particular programs, we can determine how particular policy changes would alter the generational accounts of existing generations as well as the imbalance in lifetime net tax rates of newborn and future generations.

As we've seen, the imbalance in U.S. generational policy is huge. To get a different sense of its size, consider alternative policies that the government would have to undertake to equalize the net tax rates of newborn and future generations to achieve generational balance. The first column in Table 14 lists five such policies.

TABLE 14

ALTERNATIVE POLICIES TO ACHIEVE GENERATIONAL BALANCE

	Current Policy Including 2001 Tax Cut		Current Policy Excluding 2001 Tax Cut	
	Immediate and Permanent % Change in Policy Instrument	Equalized Lifetime Net Tax Rate	Immediate and Permanent % Change in Policy Instrument	Equalized Lifetime Net Tax Rate
Raise Fed. Inc. Taxes	68.2	26.1	56.1	26.1
Raise All Taxes	25.7	26.6	22.1	26.5
Cut All Transfers	43.5	25.0	38.5	25.2
Cut All Govt. Purchases	38.9	17.7	34.4	18.7
Cut Federal Purchases	116.9	17.7	103.5	18.7

* Generational imbalance is the percentage difference in lifetime net tax rates of newborns and future generations.
Source: Calculations by Jagadeesh Gokhale and Laurence J. Kotlikoff

The first involves raising federal income taxes. To be precise, suppose the government were to eliminate its generational imbalance by immediately and permanently raising the federal corporate and personal income tax by a given percentage. How large would the tax hike have to be? The answer is a staggering 68.2 percent, an unacceptable figure given the heavy tax burden that Americans already face.

Given the CBO's projection of $1.291 trillion in income tax revenue for 2001, such a tax hike would mean an additional $880 billion in revenues in 2001. This, in turn, would mean an $880 billion larger surplus. Since the FY 2001 surplus is projected at $281 billion, achieving generational balance means running a surplus that is 4.1 times larger than we are currently running. Hence, based on the government's fiscal language, the current surplus is far too small compared to what is needed to achieve generational balance.

An alternative to raising just federal income taxes is to raise all federal, state, and local taxes. In this case, an across-the-board tax hike of 25.7 percent would achieve generational balance. This fig-

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ure is also unacceptably high. Therefore, legislators and policymakers should consider alternatives that seek generational balance by reducing the size of government.

TOWARD A RESPONSIBLE POLICY

The United States is facing the perfect fiscal storm as a result of the baby boom generation's imminent retirement. Unfortunately, our government is using the wrong instruments to assess both the size of the storm and the direction from which it is coming. Generational accounting is the right instrument, indeed, the only instrument that shows what's coming. Unfortunately, its findings are very grim. Our nation is in a deep fiscal hole, which is getting deeper every day that we spend examining meaningless fiscal indicators. We can no longer delay rectifying our nation's severe generational imbalance.

Cutting all Social Security, Medicare, Medicaid, food stamps, unemployment insurance benefits, welfare benefits, housing support, and other transfer payments by 43.5 percent is a way to eliminate the generational imbalance. Another option presented in Table 14 is to immediately and permanently cut all government purchases by 38.9 percent.

Legislators, who claim to have the best interests of children at heart, need to reject policies that burden those not yet born. In the past, policymakers have not hesitated to make future generations pay for their pet projects. Any new programs should be run through generational accounting to ensure that our children and future generations pay less of their lifetime earnings to government.

Laurence J. Kotlikoff is a professor of economics at Boston University and a research associate with the National Bureau of Economic Research.

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The Pacific Research Institute champions freedom, opportunity, and personal responsibility for all individuals by advancing free-market policy solutions. It provides practical solutions for the policy issues that impact the daily lives of all Americans. And it demonstrates why the free market is more effective than the government at providing the important results we all seek — good schools, quality health care, a clean environment, and economic growth.

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A BRIGHTER FUTURE:
SOLUTIONS TO POLICY ISSUES AFFECTING AMERICA'S CHILDREN

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755 Sansome Street, Suite 450
San Francisco, CA 94111
Tel: 415-989-0833 / 800-276-7600
Fax: 415-989-2411
Email: info@pacificresearch.org

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